

A USEFUL LOOK AHEAD FROM WASHINGTON

NOVEMBER 1972

Nation's Business

RUSSIA:
THE CURTAIN
RISES ON
A NEW
TRADE ERA



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


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Nation's Business

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Nation's Business is published monthly at 1615 H Street N.W., Washington, D.C. 20006. Subscription rates: United States and possessions \$29.75 for three years; Canadian \$12 a year. Printed in U.S.A. Second class postage paid at Washington, D.C., and at additional mailing offices. © 1972 by Nation's Business—the Chamber of Commerce of the United States. All rights reserved. Nation's Business is available by subscription only. Postmaster: please send form 3579 to 1615 H Street N.W., Washington, D.C. 20006.
Editorial Headquarters—1615 H Street N.W., Washington, D.C. 20006. **Circulation Headquarters**—1615 H Street N.W., Washington, D.C. 20006. **Advertising Headquarters**—711 Third Avenue, New York, N.Y. 10017. **Atlanta**: James M. Yandle, 62 Perimeter Center East; **Chicago**: Herbert F. Ohmeis Jr., 33 North Dearborn Street; **Cleveland**: Gerald A. Warren, 1046 Hanna Building; **Detroit**: Robert H. Gotshall, 825 Fisher Building; **Houston**: McKinley Rhodes Jr., 2990 Richmond Avenue; **Philadelphia**: Herman C. Sturm, 1034 Suburban Station Building; **San Francisco**: Hugh Reynolds, 605 Market Street; **Los Angeles**: Scott, Marshall & Sands, Inc., 1830 West Eighth Street.

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Memo From the Editor

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20006

If you are planning something new in your business, chances are you'll want to test it before you go all-out. Those of you in giant companies are particularly aware of the intricate market testing that's practiced before new products are introduced nationwide.

For a while, it appeared that the federal government was finally ready to adopt this businesslike approach of testing, in regard to proposals for cleaning up the welfare mess.

The Senate voted a two-to-four-year test period for three such proposals. One would provide a guaranteed annual income of some \$2,400 for families of four; a second, an even higher guaranteed income for them; and the third, government jobs for welfare recipients.

Practically everybody agrees that the present welfare system is no good. Three years ago, President Nixon proposed a guaranteed income plan as a substitute. On the basis that practically any change would be an improvement, lots of people and organizations supported the Administration proposal.

In fact, the only major organization opposing it was the Chamber of Commerce of the United States, representing the business community. Giving more money to more people didn't make sense to the Chamber as the way to clean up the mess.

Instead, the Chamber urged that more job opportunities be opened up. And that—if something drastically new was to be done—it should be "market tested."

As the last session of Congress neared its close, the welfare proposals for which the Senate had voted tests were put on the shelf, at least temporarily.

Many details of those proposals don't make sense, but perhaps the next session of Congress will see to it that the principle of testing gets a test.

• • •

The Chamber continues to urge that all major federal programs be pretested before millions of dollars are poured into them nationwide. It also urges five-year spending projections and "zero-base" budgeting. And it urges that federal trust funds' spending be subjected to Congressional scrutiny, and that a single Congressional committee review all federal spending.

These proposals, and others, are included in a bill to control federal spending introduced by Sen. William E. Brock III of Tennessee.

We have asked the Senator to write an article for next month's issue explaining how this would save you money.

• • •

In this issue, we bring you an exclusive analysis of the U.S.-Soviet trade negotiations by our own expert, Senior Editor Sterling G. Slappey.

Sterling went to Moscow in July with Commerce Secre-

tary Peterson when the Secretary got the negotiations in high gear.

Mr. Slappey was no stranger in Moscow. He has been stationed there as a correspondent for the Associated Press. While Secretary Peterson negotiated, Sterling interviewed Russian officials—some of them Russian equivalents of businessmen—to add depth to his report.

Since returning to Washington, he has been in frequent touch with the Secretary, and provides you with useful insights, which you haven't read before, in the article beginning on page 54.

Mr. Slappey (left) is with the Secretary in the photo.



Russian "businessmen," of course, are not very much like ours. Mostly, they're really government employees with little freedom to operate as they would like to do. Practically everything is controlled by the government.

Fortunately, things are not likely to get that bad here, even if our worst nightmares come true.

But you can hardly say that American business is not regulated to a very large extent by government—or that the regulation may not get worse.

For example, *Automotive News* reports a Ford Motor Co. specialist estimates there are at least 20,000 legislative measures pending in the states or in Congress that could affect the products or operations of the automobile industry.

Can you top that, Comrade?

Jack Woodbridge

Your company's most important assets may still be unprotected.

That's no way to insure a business.

The Wausau Story.

Your business is exposed to a potential loss that's many times more likely to happen than a fire. Yet you're probably not insured against it.

You wouldn't consider *not* insuring your physical assets. You also carry liability insurance. You protect your labor force with workmen's compensation insurance. You probably even have crime and fidelity insurance.

But if you don't have business *life* insurance, your company is still suffering from exposure. Because your key people are the assets you can least afford to lose.

Brick and mortar, finished goods,

tools, rolling stock—however useful to the continuation of your business—cannot contribute a single idea, cannot make a single sale, cannot design a single product, cannot mastermind a single legal or financial matter. Only your key employees can do these things. And statistically, at age 45, death is 14 times likelier than a total property loss by fire. (At age 55, the odds are 23 to one.)

The irony of it is that casualty and liability insurance (the kinds you wouldn't be caught dead without) protect against things that *may* happen. Life insurance protects against what *must* happen. And

when it does, key-man insurance provides you with tax-free money to find and hire a qualified replacement. And to compensate you if you suffer a loss of business in the meantime.

If you're insuring everything in your business *except* your most important assets, shouldn't you re-examine your priorities? Your Employers Insurance man can help. He's more than an insurance specialist. He's a *business* insurance specialist.



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Accentuating the Negative

• I am disappointed, indeed, to see the James J. Kilpatrick article ["The Age of 'No'"] featured in your September issue.

The theme of the article—that Americans should exploit their "can do" spirit and reject negativism—is a great one. But it is entirely wrong to support the argument by claims that government agencies have abandoned "can do" and embrace negativism when they insist upon truth in advertising, effectiveness in drugs, restraint upon the "medicine man" approach in selling vitamin pills, and cleaning the air of poisonous fumes.

Take only two examples, with which I am personally familiar:

The "Great Vitamin Case," as Mr. Kilpatrick labels it, is a serious and solid attempt by FDA to provide the consumer with information on which he can make an intelligent choice in

the annual expenditure of more than \$300 million. The aim is to bring some reason to a multitude of confusing and meaningless formulas, expressed in the mysteries of international or U.S.P. units, milligrams, micrograms, etc., of an array of nutrients known as the vitamins. The idea is to provide on the labels of these products a statement that they are being sold as food supplements—not as medicine.

The action Mr. Kilpatrick describes as having very nearly throttled the drug industry was a clear call from an aroused public through the Congress to assure all physicians and patients that drugs prescribed will be effective, as well as safe.

The experts serving on the panels that helped FDA make these safety and effectiveness judgments, who are described by Mr. Kilpatrick as non-

practicing academicians, are nothing of the sort. They are the nation's leading experts in all phases of medicine, selected to serve by the National Academy of Sciences/National Research Council. Most are experts to whom practicing physicians regularly turn for advice and assistance when confronted with complex clinical problems. This drug efficacy study has been described—with full accuracy—as the most important review of the state of the art of drug therapy in our history.

Misinformation about what the FDA is and does is unavoidable. To feed this problem from a deliberate bias is a disservice to your readers and to the public generally.

CHARLES C. EDWARDS, M.D.
Committee of Food and Drug
Food and Drug Administration
Bethesda, Md.

• The Kilpatrick article should be required reading for administrators in government, business and labor.

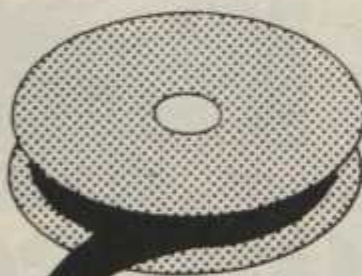
As I finished it, I glanced at the clock in my office and was reminded that it would soon be time to engage in a conference with a government representative who would be coming in to talk with us—not about whether some proposed legislation will hurt us, but how much. In other words, the decision has already been made to do what is proposed, though presumably the purpose of the conference is to get our views.

Free enterprise has become defensive enterprise.

JERRY E. GOBRECHT
Vice President—Coal Traffic
Louisville & Nashville Railroad Co.
Louisville, Ky.

• Mr. Kilpatrick's thesis on growth sadly reflects the problems generally shared by conservatives on this issue. There he sits, at his commodious Virginia farm in pristine splendor, surveying the scene and wondering why the "malcontents" and "nihilists" don't share his thanksgiving for our bountiful economic system.

This is why, I submit, he sees the calls for clean air and safe products and better housing and medical care as negative forces. One would expect nothing different from those who can afford to live in clean air, whose biggest problem is whether to choose eight bedrooms and three baths or



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Indeed, it is this general lack of perspective, this inability to perceive the plight of those who don't have these advantages, that represents the real crisis of the spirit which Mr. Kilpatrick perceives.

ARTHUR J. MAHONEY JR.
Westonville, Pa.

• It is not simply today's negativism that is wrong, but what that negativism is directed against. Beneath all the rhetoric and slogans, it is man's life and well-being that are under attack. And it is not enough, if this negative trend is to be stopped, to merely accentuate the positive.

We must proclaim and defend man's right to his life, his property and his freedom, and establish the principle that it is morally right to act in one's own self-interest.

JACK HIGH JR.
Blacksburg, Va.

A whack at the tax system

• Re "The Big Tax Reform Myth of 1972" [September].

I have read a number of writings of apologists for this country's present tax system. The defenders of the system almost unanimously embark upon a notably futile effort to show that the very real and glaring inequities built into that system are not really inequities and that the system is not so constructed to favor those of wealth and power and influence.

Your article sets forth several

examples, common to most articles of this type, of pretending that which exists does not, or vice versa.

Surely NATION's BUSINESS people know that the tax advantages involved are available only to middle- and upper-income people. No low-income person can afford a tax shelter. He cannot afford to buy tax-free municipals, has no fake business "losses" to help him. Instead, he must pay taxes which in part go to subsidize those of greater wealth.

ROBERT E. MCCANN
Hillsborough, Calif.

For more on 'no-loads'

• We were pleased to note the item headed "No-Load Fund Information" in "Strictly Personal" [September].

While the Investment Company Institute represents the total mutual fund industry, your readers would obtain considerably more information concerning no-load funds were they to write the No-Load Mutual Fund Association, 475 Park Avenue South, New York, N.Y. 10016.

NLMFA specifically represents the no-load industry, which consists of some 160 funds with total net assets in excess of \$6 billion, and 14 million stockholders.

IRVING L. STRAUS

Executive Director
No-Load Mutual Fund Association
New York, N.Y.

Sound and fury

• Ho, ho! Very funny . . . your "Executive Trends" item entitled "White Collar Wages Climb" [September].

"Read and destroy," yet!

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Letters *continued*

worthy of the name reads such magazines as *NATION'S BUSINESS*? And I personally turn to "Executive Trends" first. One of my many duties is marking articles of interest in business magazines . . . and you can be sure this one will be given top priority, and placed in the No. 1 spot on my employer's desk.

Thanks for the information!

BETTY L. WOODEN
Certified Professional Secretary
Dallas, Texas

• Your final sentence, "read and destroy," roused my ire and my curiosity as to the depth of your knowledge on secretarial training.

Business educators are doing everything possible to prepare their students for top-notch secretarial positions. Proficiency in typing and shorthand, we recognize, is not enough in molding executive secretaries.

We expose students to the various business facets, including reading material such as the financial section of a newspaper, *NATION'S BUSINESS*, etc. We encourage their continued education.

The skyrocketing attendance figures on the community college level attest to our success in that direction. Yet businessmen, like yourself, resist accepting the fact that the modern-day secretary is worth her weight in gold.

Students entering the business curricula have their minds made up as to their career choice. They are a determined group; heading hopefully in

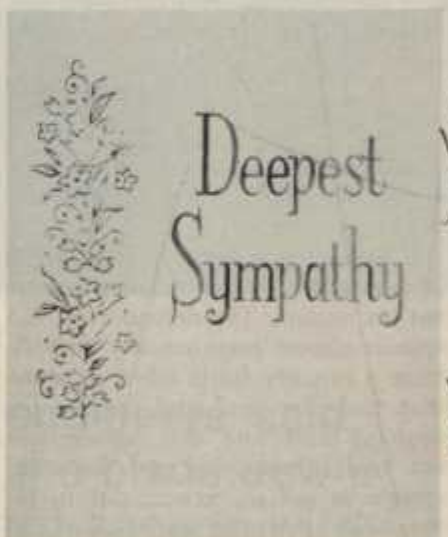
one direction—to become successful in their chosen profession, business!

The people on whom your magazine focuses its attention need to be informed that they are no longer hiring typists, transcribers or clerks. They are hiring people who are equipped with skills, intellect and creativity.

This wealth at the businessmen's disposal, if properly channeled, may well be used to eliminate some of the degree-holding personnel who Yes their way through life, and reap laurels from the achievements of their subordinates.

MRS. BERTHA J. DECKER
Baltimore, Md.

• Re that "Executive Trends" item that says, "Don't tell your steno, but white collar wages are up. . . ."



To your female employees, if Associate Editor John Costello's attitude reflects your office policy.

PEGGY PECK SPEAR
Houston, Texas

Rural survival

• Re Sen. Herman Talmadge's article ["A Strategy for Survival of the Countryside," September] on the Rural Development Act, the Department of Agriculture—the Farmers Home Administration, specifically—intends to move forward as rapidly as possible in the execution of this legislation. I appreciate the fact that you have taken note of this subject in your effective magazine.

JAMES V. SMITH
Administrator
Farmers Home Administration
Washington, D.C.

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Executive Trends

BY JOHN COSTELLO
Associate Editor

From sea to ski?

O.K., so you've finally cleared up that case of athlete's foot.

And the last lingering souvenir of summer's behind you.

So how about giving the ski slopes a whirl?

The airlines and others offer some tempting tours.

In Europe, rates are at rock bottom from late November to mid-December.

Europe on Skis, Inc., for example, will put you on a Swiss or Austrian slope for as little as \$70 a week. That includes room and breakfast in a pension, six days' lessons and lift tickets. Plus air fare of \$235 from New York.

Both Pan American World Airways and Trans World Airlines have European tour packages for skiers.

For example, TWA offers one to St. Anton for \$305 or Zermatt for \$334. The price includes round-trip air fare to Zurich or Geneva, transportation to the resort, seven nights in a good hotel and breakfast daily. Lift tickets and lessons are extra.

Like most tours cited, the price is based on double occupancy of a room, during the low—or less busy—season. That varies from resort to resort, here and abroad, but usually excludes the Christmas holiday period.

The Alps boast of wide open slopes, above the tree line. But you needn't go abroad for great skiing.

The Rockies offer deep powder snow, and claim more sunshine than the Alpine resorts—no fog, no white-outs or bitter cold.

TWA, American and United Air Lines offer all kinds of Rockies tours.

American Airlines has ski packages for Alta, Park City, Snowbird, Brighton, Park City West, Sun Valley, Jackson Hole and Grand Targhee.

Five nights at Brighton, for example, with breakfast daily and all lift tickets for \$70, plus air fare. Or \$110 at Snowbird, plus air fare.

United can put you up for a week

at a Colorado ski resort for as little as \$83—lift tickets included. United's Snowbird flights go to 68 resorts in Colorado, Idaho, New Mexico, Utah and Wyoming.

Never snow-plowed a slope?

Ski New England—a group of five resort areas in Maine, New Hampshire and Vermont—can help you get started. It has a number of beginner's packages.

For example, seven nights' lodging, lift tickets, lessons and rental equipment for as little as \$154.

Or, if you're past that stage, the same package, without lessons or rental equipment, for \$111.

The list of offers is almost endless.

So how do you pick and choose?

The airlines have a suggestion: See your travel agent.

Bull market for managers

Not a rip-snorting bull market.

But one strong enough to inch upward—despite the summer doldrums.

That's how one trend-watcher sums up the third quarter of 1972 on the managerial job scene.

General Executive Services, Inc., New Canaan, Conn., counts executive help wanted ads in some 37 big daily newspapers and a half-dozen trade magazines. Those ads, plus requests sent to GES by executive recruiters, add up as follows:

	1972		Per cent change
	2 Q	3 Q	
Gen. Man.	432	403	- 6.7
Sales/Mark.	1,806	1,866	+ 3.3
Mfg.	1,200	1,370	+ 14.1
Fin.	1,861	1,979	+ 6.3
Eng./R&D	1,474	1,389	- 5.8
Misc.	1,283	1,294	+ 0.9
Int'l.	948	767	- 19.1
TOTAL	9,003	9,068	+ 0.7

"We estimate that these represent 80 to 85 per cent of all executive job openings," says Bill Breitmayer, GES president.

"The third quarter," he adds, "is traditionally slow. It includes the summer vacation season. Thus, it's

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Executive Trends *continued*

significant that job openings rose this third quarter.

"Executives with a background in sales and marketing, manufacturing and finance are also more in demand.

"This reflects the increased emphasis today on selling, production and cost control.

"It's a trend I expect will continue for some time."

When you're looking for a consultant

You should shun some management consultants like the plague.

Among them, says one expert, are those prone to ploys like these:

- Throwing in a low bid to get the job.

Next move: Jack up the fee when the client's hooked. Explanation: "Factors beyond our control."

- Promising what they can't deliver.

For example, union agreement to an incentive plan. Or cost-cutting that's never realized.

- Peddling a one-day "survey" dirt cheap—just to get a foot in the door.

Then, selling the client on more expensive projects, which they may not be competent to perform.

"The profession is doing its best to rid itself of guys like that," says Kenneth L. Block, president, Institute of Management Consultants, Inc.

IMC's members are individual management consultants.

It's not to be confused with the Association of Consulting Management Engineers, whose members are consulting firms.

Both groups are useful sources of professional expertise.

IMC's Referral Index contains a detailed record of members' special skills.

"Like someone experienced in compensation and performance ratings for teachers," says Mr. Block. "We have a dozen who know that backward and forward."

ACME has a consulting referral service, too. Unlike IMC, its files are not confined to members.

"We have in it some 2,500 consulting firms—most of the major ones in North America," says Philip W. Shay, executive director.

On the average, ACME gets some 3,000 queries a year for specialists in some 625 fields—ranging from absenteeism to zoning and planning, says Mrs. Wallie McKinney, administrative assistant.

Can money buy better health?

That's the Inter-Collegiate Debate Topic for 1972-73. Or a reasonable facsimile thereof.

Literally, the proposition reads: "That the federal government should provide a program of comprehensive medical care for all United States citizens."

Health care is big business. Last year, it came to \$75 billion. Government—national, state and local—paid a third of the bill. With, of course, taxes collected from you-know-who.

The rest was paid for by "the private sector"—businesses and individuals.

That bill has ballooned 500 per cent in the last 20 years. If it con-

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New Areas of Help for Veterans

The U.S. Small Business Administration has opened up for Viet Nam-era veterans three areas of federal help that previously had been available only to members of minorities and other disadvantaged persons.

Honorably discharged veterans who have served in the armed forces since August, 1964, are now eligible for:

1. Economic opportunity loans of up to \$50,000 for 15 years at a low interest rate.
2. Federal government contracts under the SBA program that obtains for small businesses a fair share of government purchases of goods and services.
3. Management and technical assistance from private management consulting companies under contract with SBA to provide such aid.

SBA last month launched a nationwide pilot program to provide small businessmen with management counseling and advanced management techniques.

Under the program, which is being conducted by colleges and universities throughout the country, senior or graduate students supervised by faculty members and SBA staff members will serve as advisers to local concerns which have obtained business loans from the agency.

The program is designed to increase small firms' opportunity for success as well as to safeguard the dollar value of the federal loans.

It also will provide students with practical experience to supplement academic theory and can serve as a training ground for future small business executives.

SBA has instituted a policy change that will allow more agricultural and agriculture-related business to apply for financial aid from the agency.

Prepared by the Small Business Administration.

Small firms in certain agriculture-related industries are now eligible to apply directly to SBA for financial assistance.

Also, certain farming and agriculture-related businesses may now apply for SBA assistance if their loan applications have been deemed ineligible by the Farmers Home Administration or agencies of the Farm Credit Administration.

A computerized program to match minority entrepreneurs with procurement needs of major private corporations across the country has been developed by SBA.

The Minority Vendors Program is an expansion of SBA's Minority Enterprise Program. Its objectives are threefold:

1. To identify minority businesses capable of supplying goods or services to major corporations interested in doing business with minority firms.
2. To develop specialized programs of assistance to overcome minority firms' deficiencies as identified by large corporations seeking to buy from them.
3. To identify new business ventures for the minority business community to engage in as a result of use of the program.

The program begins operation this month.

Corporations will identify the products they wish to buy and the locations in which the products must be delivered.

In each case, SBA will perform a computer search, make the match, and send to the requesting firm a listing of those minority vendors in the area involved that are capable of providing the goods or services. The firm will then decide which vendors it wishes to contact.

The program is expected to increase the minority business share of the \$350-billion-a-year market for goods and services purchased by the private sector.

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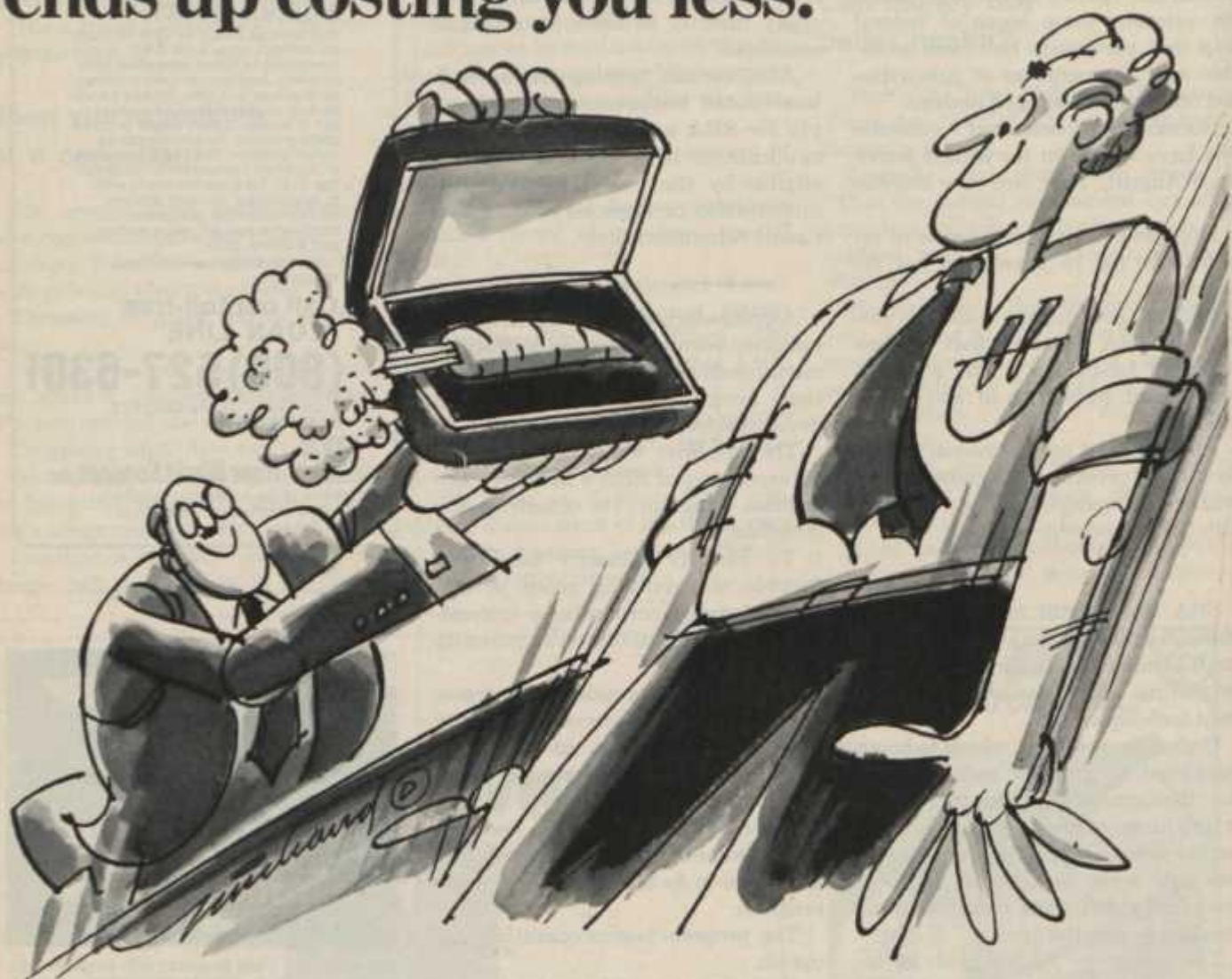
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Freedom of Choice for the Consumer

Despite a spate of laws on the subject it is the consumer—more than government, business or self-appointed consumer guardians—who must determine what goods and services will survive in the marketplace.

One businessman who is convinced of this is H.W. Close, board chairman of Springs Mills, Inc., Ft. Mill, S.C., and he feels the combined views of a Springs Mills consumer advisory panel effectively back him up.

The panel consists of six college professors who, in turn, represent an organization of 2,200 professors specializing in instruction on textiles and clothing. Much of what these particular consumer advocates say is at odds with what better-publicized leaders of the consumer movement claim, says Mr. Close, who is also president of the American Textile Manufacturers Institute, Inc.

For example, one panel member says: "I don't think consumers are aware of what is being done for them by industry, because industry isn't telling its story. Maybe education isn't helping tell the story either."



H. W. Close says consumerism should be "a mechanism that listens to and responds to the consumer."

Another panelist declares that:

"Some of the current trends in consumerism are going to result in eliminating the freedom of choice the consumer should have when she makes a purchase."

Mr. Close, who also tends to refer to the consumer in the feminine gender, believes business will have to

start asking her direct questions: What does she really want, what is she really willing to pay for, where does she want to get it?

"She is a fashion-conscious, independent, better-educated, more affluent person who looks for value in products and integrity in companies which make products," he explains. "If we in business take no initiative to serve her interests in a positive way, it is obvious she will look to someone else for attention—and we will have to live or die with the consequences."

Mr. Close feels customers should be given clear, concise and practical information about products—whether it's done through schools, retail clerks, advertising or labels.

But choice, he stresses, is paramount. If a woman wants to buy a red dress for a special occasion, or a flowered bedspread that she'll tire of soon, or a house dress she can discard after a year or two, she has a perfect right to indulge herself, he says.

"Let's put the lady first—not the textile industry, not Betty Furness, not the Federal Trade Commission," he adds. "We can make consumerism what it ought to be—a mechanism that listens to and responds to the consumer." •

Things Are Humming on Mt. Umunhum

Businessman Loren R. McQueen has had to climb, literally and figuratively, to get where he is today.

"Mac" McQueen is president of Communication & Control Inc.—which, by itself, doesn't tell you much about his business. He buys California mountaintops, and now owns 33 of them.

When he bought the first one in 1951 he wasn't sure what he'd do with a mountaintop that no one else wanted.

It turns out, however, that mountaintops are excellent spots for radio antennas, the kind for handling long-range, two-way communications.

Mr. McQueen leases antenna sites

both to businesses and to such public agencies as the California Highway Patrol, the Weather Bureau and the Coast Guard.

Loren McQueen, a big, booming man, was a used car salesman in Campbell, Calif., when he heard that nearby 3,785-foot Mt. Umunhum was for sale—270 acres, mostly vertical, for \$100 an acre.

"Everybody thought I was a fool because the real market then was for farmland and you'd need a helicopter to plow on Mt. Umunhum," he recalls. "I wasn't really sure why I bought it but I had an idea it might be useful for radio communication."

He knew he was right when the Air Force, five years later, took over a nearby mountaintop and built a radar station. Then he heard Motorola was

looking for an antenna site and he soon signed up his first customer.

"I've got 55 clients on that one hill alone," he says, pointing to Mt. Umunhum, whose name comes from an Indian word for hummingbird. Overall, he has hundreds of clients, on mountains from San Diego to Oregon.

For some years, Mr. McQueen has been engaged in a lively legal contest with several competitors to obtain a federal license to install a marine transmitter. If he wins he would build on one of his mountaintops overlooking Monterey Bay.

"Look how many boats you see in the water, and you'll know what kind of problem this is," he says. "Right now, if a boater has an emergency and needs the Coast Guard he can't call them." •

continued on next page

This Firm Is Strong for the Mini-Week

A Dubuque, Iowa, computing firm has a three-day, five-day or six-day work-week, depending on who's doing what.

After almost a year's experience with the three-day week, Computer Consulting Service is convinced it can work well—for a company as well as employees.

Computer Consulting is small (it has 25 employees) and the mini-week affects only four computer operators.

"In a sense we were forced into the three-day workweek," says Jim Houtz, 36-year-old president of the firm. "Our business was expanding to the point where we had to consider going on three shifts or finding some other way to meet our clients' needs. The answer was two long shifts if our operators would go along. They said: 'Yes, let's try it.'"

So the computer operators now have overlapping 13½-hour shifts—two of them are on the job the first three days of the workweek, and two on the next three days.

"We were concerned in the beginning that the fatigue factor would take its toll, but it hasn't," Mr. Houtz



President Jim Houtz (right), who works a six-day week, goes over a computer problem with operator Terry Patzner, who works a three-day week.

reports. "The work is more mental than physical and our operators seem to thrive on it."

Singling out only four employees for a shorter week might have posed a morale problem for other employees working the conventional five-day week.

It didn't.

"Sure, everybody wants in on it, but they know it's not practical at this time," Mr. Houtz says. "As soon as we can, we hope to introduce at least a four-day week for the others."

Says Terry Patzner, one of the operators: "You can't beat it. Actually,

it's like working an eight-hour shift, once you get used to it."

In his plentiful spare time, he helps his father run a gas station.

"We have found a spin-off advantage we hadn't anticipated," reports Mr. Houtz. "It has improved communications with the operators. When one comes on duty he talks to the man he's relieving and immediately becomes conversant with the project at hand."

What has the three-day week done for Jim Houtz?

"Not much, I'm afraid," he says. "I still work six 12-hour days." ●

The Drug Sickness: No Company Immune

Evidence is mounting that drug abuse is every company's problem.

The American Management Association has been surveying a large number of firms for several years, asking: "Do you have a drug problem in your company?" Seven per cent said Yes in 1967. In 1968, 13 per cent replied affirmatively. The figure leaped to 23 per cent in 1969 and skyrocketed to 41 per cent in 1970.

The facts are contained in a book published by AMA titled "Drug Abuse and Your Company." Author Susan Halpern gathered the latest information from questionnaires returned by 230 companies and from in-depth in-

terviews with some 75 executives. Though not every company has been hit by the drug problem, the book suggests it is so rampant that no firm is immune.

A similar study by The Training for Living Institute, a New York City training and research organization, indicates that corporate losses due to drug abuse have run into billions of dollars.

The organization also reports that heroin addicts can hold down a wide variety of jobs, support their habit through on-the-job criminal activity, and go undetected for long periods.

Dr. David Smith, assistant medical director of U.S. Steel, agrees. Speaking at a seminar in Dallas on drug abuse, he said: "The theory that individuals cannot maintain jobs and be

on hard narcotics has been proved untrue."

More and more companies are facing up to the drug problem and are trying to help addicted workers. Many others have launched programs to educate their employees about the evils of drug dependency.

As Miss Halpern points out in the AMA book, most employers are unaware that the problem is on their premises until the hard facts hit home.

This comment by a businessman is somewhat typical:

"Yes, we knew the problem existed in the community. But until two of our own employees were arrested one afternoon last year for selling pot, we were unaware that it existed in our own organization." ●

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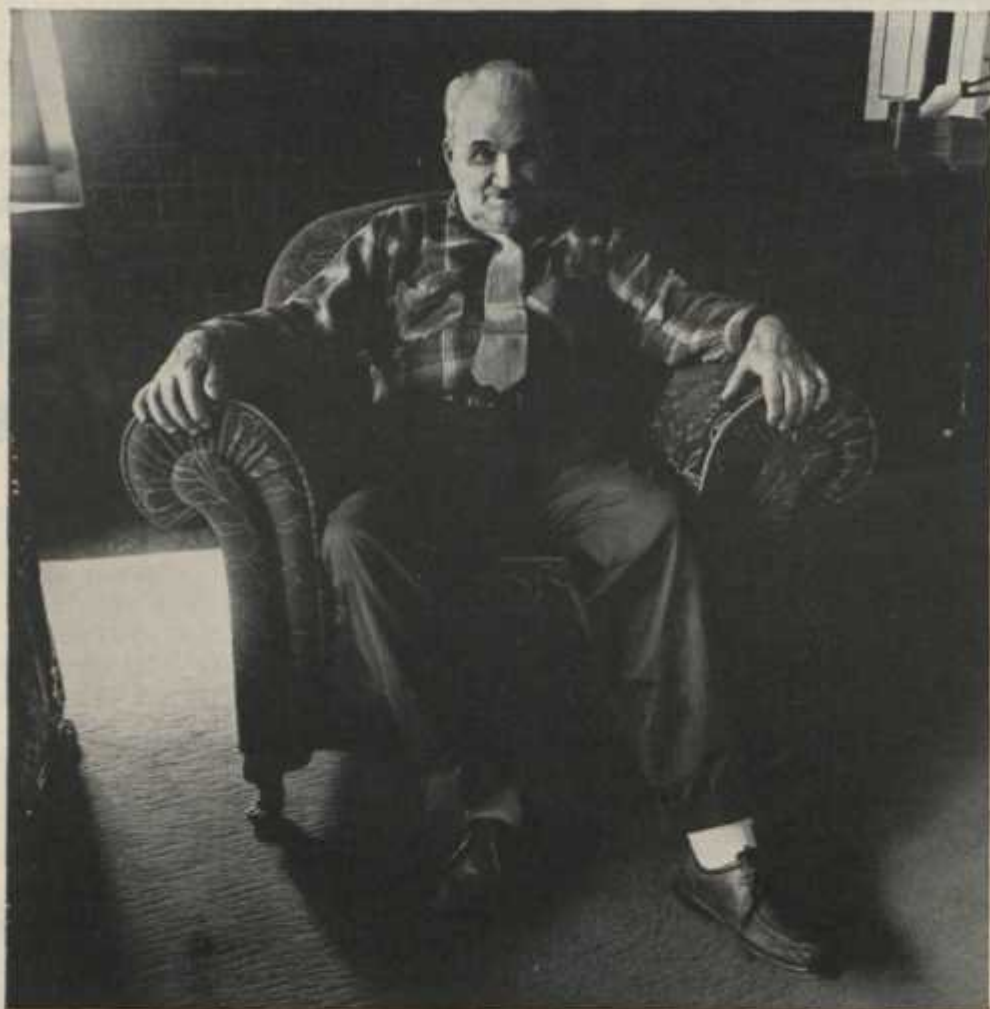
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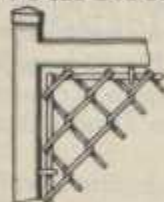


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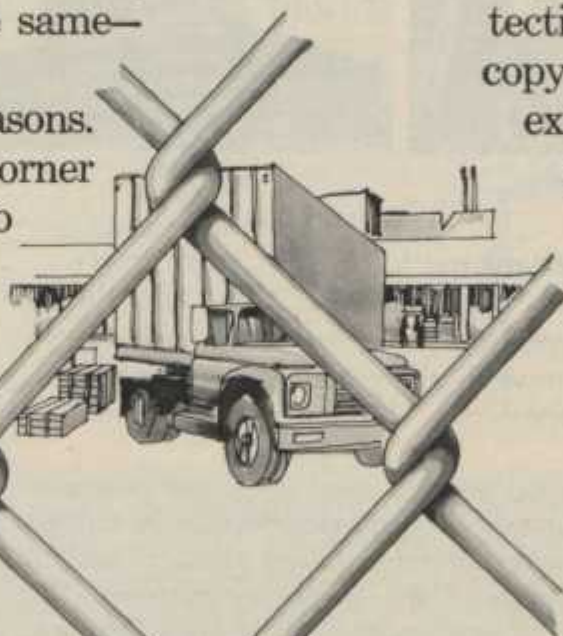
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Killing Two Birds With One Pile of Stone

A backfilling process developed by the Dowell division of Dow Chemical Co. is going to send the Eureka Bank, an unsightly 100-foot-high culm pile in Scranton, Pa., back where it came from—the anthracite mines.

Like many areas where extensive coal mining operations once took place, Scranton sits atop a honeycomb and has subsidence problems because time has weakened supports in the now-unworked mines.

Operating under a \$900,000 contract from the U.S. Bureau of Mines, Dowell engineers expect to fill 95 to 100 per cent of the mine voids below 20 acres of Scranton. The fill material will be 300,000 cubic yards of crushed refuse taken from the Eureka Bank eyesore.

The engineers will hydrostatically pump a slurry of water and the crushed rock at relatively high pressure through five bore holes. Dow officials say that if standard dry backfilling techniques were used (which they say are more time-consuming and expensive, and which usually achieve only about 50 per cent fill) 175 to 200 holes would have to be bored.

The water will come from lower mine levels, many of which are flooded. The project is expected to be completed in seven months.

To ensure that the backfilling is indeed reaching all sections of the shafts, Dowell engineers will use a "sonar caliper," a device lowered into the holes to listen to its own echo.

Dowell, which primarily serves the petroleum industry in cementing, fracturing and "acidizing" oil and gas wells, began specialized service to the mining industry comparatively recently.

It introduced the backfilling system in 1970 in Rock Springs, Wyo., where severe subsidence due to mining was occurring. Dowell crews pumped 20,000 cubic yards of sand mixed with water into a single bore hole with what the Bureau of Mines called complete success. **END**

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Our Supply of Engineers: Is a Crisis Really Near?

Enrollments are in a slump at U.S. schools of engineering, but demand for their graduates isn't

Reports of shrinking job opportunities for engineers have brought the nation to a situation in which a serious shortage of engineering manpower could develop by the mid-1970s.

So says Andrew Schultz Jr., dean of Cornell University's College of Engineering.

He warns that the shortage will occur unless immediate steps are taken to reverse the downward trend in enrollment at engineering schools.

"It is clear," he says, "that those responsible for our federal scientific and engineering manpower policies—and the media—have been misled by two factors.

"One is the current unemployment among engineers that was caused by major economic adjustments in the aerospace and defense industries. The other is a projected glut of new Ph.D.'s in science and engineering.

"The facts, however, are that during these difficult times a rough balance has existed, nationwide, between the supply of new engineering graduates and the demand for them, and there has been no discernible shortage of jobs for the new Ph.D.'s as yet."

Supply and demand

A comparison of projected enrollments in engineering schools and manpower needs in the field leads to the inescapable conclusion that the nation faces the threat of a crisis in filling engineering jobs, Dean Schultz believes.

He cites a Bureau of Labor Statistics forecast that 73,000 new engineers a year will be needed through this decade, but then notes:

"The cold, hard fact is that the class of 1973 will be the last in some time in which more than 40,000 graduates can be anticipated. . . . The

earliest possible reversal of this downward trend would be for the class graduating in 1978, and in the absence of any overt action in the next six months, this cannot be anticipated."

Dean Schultz suggests that professional societies, employers of engineers, and educational institutions cooperate in an intensive effort to encourage students to enroll in engineering courses and to support programs to educate engineers.

Five reasons

Lawrence W. Von Tersch, dean of Michigan State University's College of Engineering, where enrollment is off 15 per cent (at some schools the drop has approached 50 per cent), cites five factors as contributing to the decline in enrollees:

- A public tendency to blame engineers for social problems like pollution.
- Heavy competition from other growing fields such as law and health care.
- An unwarranted notion that an engineering curriculum is inflexible.
- National publicity on engineering unemployment.
- Financial problems for students.

To crank flexibility into the engineering curriculum at MSU, Dean Von Tersch says, the College of Engineering is proposing to increase its interdisciplinary offerings. The first would be a joint program with the College of Human Medicine, the College of Veterinary Medicine and the College of Osteopathic Medicine.

Jobwise, MSU's Placement Bureau announced in early September that it expected all unemployed engineering graduates—there were only a few, it said—would be placed before new classes began.

END

ville Morning News

THE WEATHER
Sunny and cool, with scattered
clouds. High, 65; low, 45.
Forecast: Partly cloudy, with
a chance of rain on Friday.
S.W. Wind 5 to 10 mph.



Storm May Turn Into Hurricane

Tropical storm waves
were swirling in the
Caribbean Sea today,
and a strong possibility
exists that one of them
will become a hurricane
by the weekend.
At least two storms
are being tracked by
the National Hurricane
Center. One is a tropical
storm, the other a tropical
storm wave.
The storm wave is
located in the Gulf of
Mexico, and is moving
westward. It is expected
to become a hurricane
by the weekend.
The tropical storm is
located in the Caribbean
Sea, and is moving
westward. It is expected
to become a hurricane
by the weekend.

Hike Expected In Food Costs

Retailers Disclaim Blame

Most food retailers
are blaming the increase
in food prices on the
weather. They say the
drought in the Midwest
has caused a shortage
of grain, which has
driven up the price of
feed for livestock.
The retailers say they
are doing everything
possible to keep prices
down. They say they
are buying in bulk and
selling at a discount.
They say they are also
trying to find other
sources of food.



Tax Crisis Reported Still Unresolved

The general fund tax
crisis was reported to
be unresolved today.
The state treasurer
said the revenue
department has not
yet received the
necessary funds.
The treasurer said
the revenue department
has not yet received
the necessary funds.
The treasurer said
the revenue department
has not yet received
the necessary funds.

Market Battles To Stop Slide

The stock market
battles to stop the
slide today.



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Sound Off to the Editor

How Loud Is Opportunity's Knock?

As the U.S. moves toward its 200th birthday, more and more people are reflecting on the nation's past—and its relationship to the American present and future.

One of the nagging questions is whether there is as much opportunity for the individual today in this highly industrialized, complex society—opportunity to build a great business on one's own—as there once was.

There are those within the business community who say it is not possible to have as much opportunity now. But others argue that these days are just as good as the old days for the American who has initiative, talent and a willingness to work hard.

Various reasons are given on the negative side. Major ones are increasing government regulation, the intense competition a newcomer faces

from entrenched companies in so many fields, and the need for huge sums just to get started in those fields.

That government regulation is increasing is, of course, all too obvious. When Congress established the Interstate Commerce Commission in 1887, it was setting up only the first of a long list of regulatory agencies that put private firms under the public thumb. Regulation has now even reached the point of peacetime wage and price controls.

As for entrenched competitors and huge capital investment requirements, the most obvious example, perhaps, is auto manufacturing—where there are now only four predominant corporations, compared to more than a dozen within memory. There are somewhat similar situa-

tions in a number of other industries.

But those who contend that the entrepreneurial spirit is alive and thriving back their contention with a seemingly endless list of success stories.

They point to individual fortunes made—and flourishing businesses created—in computer software, copiers and photography; in fast food and other types of franchising, which have produced many quick-blossoming winners; in general retailing, a field where discounters have had many a field day; and in a batch of other areas.

For every success in a basic industry, they add, there are numerous triumphs in service businesses which surround that industry.

Has opportunity in business dwindled? What do you think?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Has opportunity in business dwindled?

☐ Yes ☐ No

Comments:.....

.....

.....

.....

.....

.....

Name and title.....

(PLEASE PRINT)

Company.....

City.....

Sound Off Response

On to Bigger—and Better (?)—Things

The perplexity and frustration that often center around the problems stemming from increases in production, consumption and population are reflected in answers to September's "Sound Off to the Editor" question: "Should We Stop Economic Growth?"

A tally of NATION'S BUSINESS readers who took part in the poll shows that for every three who say No, two say Yes. But there are many with profound reservations on each side.

Predominantly, pro-growth readers say growth is necessary to maintain values the public demands.

As one executive taking that position—Charles H. Kellstadt, board chairman of General Development Corp., Miami, Fla.—puts it: "The only ones who can say Yes to stopping economic growth are those who subscribe to an accelerated decline in our standards of culture, ordinary living and health. Can there be many in this group?"

But Yes voters also cite such standards—arguing that putting the clamps on growth is necessary to regain a better quality of life or to maintain the one we enjoy now. Many are alarmed at the prospect of rapid depletion of natural resources, and are unwilling to depend totally on technology to make the difference.

Some of the Nos:

M.C. Yoder, owner of the Houston Electronic Engineering Co., Houston, Texas, finds the thought of stopping economic development incomprehensible. He asks: "Are you kidding?"

H. Anthony King, vice president-marketing of King Textiles, Inc., Calhoun, Ga., says: "Of course not! To stop economic growth would be to stagnate and even regress. The answer is to stop population growth. If this could be accomplished, economic growth would seek its own level within the perspective of legitimate growth."

Stunting the economy would kill incentives, insists C.A. Bean, planning manager for GTE Sylvania, Needham Heights, Mass. "It would cause stagnation of our society, our

culture and the individuals who make the whole thing tick," he says.

Milton R. Goldman, director of purchasing for DeJUR-AMSCO Corp., Long Island City, N.Y., backs up his No vote with: "To stop economic growth is to start stagnation and decline. The problem is rather attainment of zero population growth, thus avoiding the necessity for overuse of facilities while helping us to clean up our environment and aiding us politically by preventing our becoming a complete welfare society."

From Rio Piedras, Puerto Rico, Wilfredo Sierra, vice president of BFC Corp., registers a No with this comment: "The economic growth of any country can't be stopped or postponed without first developing a realistic program that reduces the continuous increase in population."

Gus Stratton, director of the American Chamber of Commerce in Morocco, Casablanca, Morocco, also feels economic growth should not be halted, but argues it should be "controlled," along with—and in line with—population growth in all nations.

However, Ralls C. Clotfelter, president of Poulsbo Aluminum Products, Inc., Poulsbo, Wash., is unequivocal. "Of course we should have economic growth," he says. "If we don't we shall fade away as a progressive nation. I think the question should be: 'When will we start growing again?'"

Those voting in favor of halting economic growth have as strong opinions as those on the other side have.

Ken Jencks, general manager and vice president of The Empire Adhesive Co., Inc., North Reading, Mass., says we should "de-emphasize growth and put great emphasis on quality," because the earth can only supply needs for a limited population. "How many ants can you get on a golf ball?" he asks.

Frank B. Fairbanks Jr., president of Horix Manufacturing Co., Pittsburgh, Pa., comments: "Growth on a per capita basis must be controlled. Most responsible evidence indicates that society must start to plan now for a system in which population and capital growth must be stabilized."

From Baltimore, Md., J.D. Frack, assistant to the president of Maryland Shipbuilding & Drydock Co., says: "Sooner or later the world governments must plan for and reach agreements on a master plan for world economic and physical survival."

Ed Martin, secretary-treasurer of the Dallas Cotton and Commodity Exchange, Dallas, Texas, observes: "It is becoming more evident that cities, after reaching certain population and industrial levels, develop problems of providing service to their citizens which lead to costs all out of proportion to the benefits the communities receive from their efforts in industrial development."

Comments Michael Veal, a corporate field representative at Ft. Walton Beach, Fla., for General Dynamics: "It doesn't take research or even much intelligence to know that the earth's resources are finite. If we don't stop growth, we must at least slow it down."

Many readers qualify their responses.

Says B.H. Foley, an executive with the Custom Industrial Design Corp., Hillside, N.J.: "Interesting idea, but hardly practical until the population explosion is controlled."

"It would be unwise to stop economic growth," writes Jerry Smith, president of Sales Career, Inc., New York City, "but if we have a three-year halt or slowdown we will enable everyone to take a breather and prepare for the graduated resumption of new growth."

However, Bob Barse, general manager of a Container Corp. of America plant in Arlington, Texas, makes no bones about the way he feels:

"When growth stops, profit stops, and when profits are static, capital for better machines drops on the priority list. Without continual tool improvement, productivity decreases, costs creep up, demand subsides, and the final result is a decline in the standard of living. We just don't have the sort of system that can stop. We must grow and solve the problems of growth."

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Lawsuits That Handcuff Our Lawmen

BY REP. RICHARD H. ICHORD
(D.-MO.)



Rep. Ichord has introduced legislation aimed at making people think twice about filing nuisance suits against policemen.

Our police need protection, writes a Congressman, against a torrent of legal actions that increasingly are making them "hesitant to perform their duties diligently"

Missouri's Highway Patrol had been on William Howard's trail a long, long time.

The 22-year-old Missourian was known to be pushing drugs. But it was hard to catch him red-handed.

Now, officers felt they had him cold. Acting on a tip, they tailed him from Ft. Leonard Wood, a giant Army post in the Missouri Ozarks. They followed him uphill and down, around the sweeping curves of Interstate 44, as it wound through the pine-clad hills.

Suddenly, his car came to a screeching halt at a diner just west of Rolla, county seat of rural Phelps County.

He and his "horse"—an attractive blond accomplice who usually carried his narcotics supply in her bra—made a dash for the rest rooms. Highway patrolmen nabbed them before the drugs could be flushed away.

Howard later pleaded guilty to possession and transfer of drugs. He was sentenced to five years in the Missouri penitentiary.

It may sound like a happy ending to one battle with crime. It wasn't.

Instead, it was the curtain raiser to a campaign of harassment that plagued—among others—Rolla's Assistant Chief of Police Gene Roluffs and Phelps County's Prosecuting Attorney Zane White.

Both were sued by Howard for conspiring to coerce him into pleading guilty!

As often happens, they were stuck with the expense of defending themselves.

"Fortunately, the suit was dismissed by a federal court in St. Louis," says Mr. White. "If it had gone to trial, it could have cost us plenty."

No rarity

Lawsuits like this, filed to harass law enforcement officers, were once rare. But no longer.

The number of such frivolous suits is growing rapidly. They have become an increasingly serious impediment to efficient, vigorous law enforcement.

No one objects, of course, to filing suits for false or improper arrest, when there is justification for such action.

But I believe that altogether too many such suits are being filed these days as a ploy to delay prosecution, to create publicity, or to try to win sympathy for a patently guilty defendant.

I believe that officers are increasingly more hesitant to perform their duties diligently because of the fear of such suits.

This result is easily understandable when it is realized that many lawmen must rely on their own financial resources in defending against such litigation. Law officers,

particularly policemen in our smaller communities, usually are not paid well enough to finance, on their own, expensive legal defenses. They can be plunged deeply into debt or even reduced to poverty.

Most of these suits are filed under Section 1983 of Title 42, U.S. Code—which encompasses laws relating to public health and welfare. Section 1983 reads:

"Every person who, under color of any statute, ordinance, regulation, custom or usage, of any State or Territory, subjects or causes to be subjected, any citizen of the United States or other person within the jurisdiction thereof to the deprivation of any rights, privileges or immunities secured by the Constitution and laws, shall be liable to the party injured in an action at law, suit in equity or other proper proceeding for redress."

Federal courts' interpretations of Section 1983 have generally been of a broad nature, in accord with its broad language as well as its purposes as perceived by Congress.

A review of their decisions shows the courts recognize that this statute was designed to underwrite certain kinds of state laws and to provide a federal remedy where state statutes, although adequate in theory, proved inadequate in practice.

However, the courts have also consistently held that Section 1983 was not intended as a source for damage actions brought by disappointed litigants against officers who commit errors while acting within the scope of their authority. Nor was the purpose of Section 1983 to discipline law enforcement officers, nor to turn every defeat of a claimed

Lawsuits That Handcuff Our Lawmen *continued*

state right into a federal right with federal remedy.

It recently was brought to my attention that Mr. Roluffs and Mr. White, competent law enforcement officers in my Eighth Missouri Congressional District, found themselves defendants in what appeared—and was ultimately determined to be—a “nuisance suit” filed under Section 1983.

I was very distressed to learn that these officers were forced to depend on their personal income for costs of investigation and legal defense fees, and I asked the International Association of Chiefs of Police if this case was representative of what has been happening elsewhere in the republic.

Who helps the police?

To my surprise, I learned that many law enforcement officers, even prosecuting attorneys, do not have insurance plans to cover actions filed against them and that many states, counties and cities do not provide for costs involved in investigation and defense of such suits.

Now we all realize that the Legislative branch traditionally takes reform one step at a time, addressing itself to that phase of the problem that seems most acute at the moment.

So I conducted some research into the matter and developed some very interesting facts and figures.

The filing of lawsuits against law enforcement officers, alleging misconduct, has swollen from just a few hundred a year in the nation not long ago to many thousands last year.

And an increasing amount are being filed in the federal courts under Section 1983.

Records of the Administrative Office of the U.S. Courts show that 8,267 cases involving Section 1983 were filed in 1971—an increase of 700 per cent since 1967. I submit that this is an unduly large increase, indicating many of the suits were of the nuisance variety.

Figures are available from several cities on the number of suits filed against their police in the five-year period ending last year. In Los Angeles, for example, 95 suits were filed in 1967, 137 in 1968, 149 in

1969, 201 in 1970 and 186 last year—an increase of 96 per cent from 1967 to 1971.

Of the 768 cases, 16 per cent were filed in federal court.

A case study

There is one specific case in Los Angeles that I would like to detail.

In 1968, the Western Center on Law and Poverty filed a suit against the Los Angeles police chief, and others, claiming there was a conspiracy to violate the civil rights of all Negroes in the south-central portion of the city. The suit was later expanded to include all Negroes in Los Angeles County.

The Center is financed with federal funds by the Office of Economic Opportunity.

An investigation was launched and it soon became evident that the Center could not sustain its complaint with the persons named as plaintiffs because of their activities in various militant organizations. Then, through a series of legal maneuvers, the militants were replaced in the lawsuit by persons not connected—or at least not known to be connected—with militant groups.

The city of Los Angeles went on to conduct extensive discovery proceedings and the Center eventually was ordered to write a pretrial order. It was unable to do this for several reasons, among them an inability to find its plaintiffs. Faced with either dismissal or bringing the case to trial, the Center, on its own motion, asked that the case be dismissed.

That is the legal background to the Los Angeles incident. Now let us examine what all this futile, expensive and frivolous maneuvering cost the taxpayers in the city and county of Los Angeles.

The city police department paid more than \$61,000 in salaries for investigators whose work was confined to this case alone.

Another \$40,000, it is estimated, was spent in additional investigators' time and the time other police officers spent in court proceedings, gathering testimony, obtaining depositions and so on.

Clerical time involved in the effort is estimated to have cost more than \$16,000.

Thus what amounted to no more than a nuisance suit cost the taxpayers more than \$117,000 in man-hours alone.

Let us examine a few other locations where nuisance suits have proved costly both in money and time.

The sheriff's department for metropolitan Dade County, Fla., which includes the city of Miami, reports 15 Section 1983 cases have been filed there in two years. One cost more than \$50,000 to investigate—and the plaintiffs took a voluntary dismissal prior to trial.

The relatively small police department in Charlotte, N.C., reports that during a 12-month period, 39 suits against it were filed under Section 1983—all by an American Civil Liberties Union attorney. Recently, department officials had to spend one week in court on six cases that totaled more than \$7 million in claims.

Except for one case, each ended in a “no verdict” by the jury. In that one case the jury returned awards of \$250 against two officers on two counts, so that awarded damages totaled \$10.

The police departments of Mecklenburg County, N.C., and Charlotte, which is in that county, note that their insurance premiums—despite their having never lost a suit except for the \$10 damages case—have increased from \$12,000 to more than \$48,000 in two years.

The Panthers strike back

Contesting the suits has been an ordeal for the defendants.

In one case, no less than 16 officers—from the county police department, the state bureau of investigation and other agencies—were sued for \$170,000.

“The suit,” says G. Patrick Hunter Jr., Charlotte police attorney, “was brought by a Black Panther organization after their headquarters had been searched for weapons stolen from a National Guard Armory.”

“At the plaintiffs' insistence, each officer was required to fill out an involved, rather personal interrogatory. Typed, it was 21 pages long, and posed a total of 99 questions, some requiring multiple answers.”

Some of the questions, he says, ran like this:



A man who pleaded guilty to drug charges sued prosecutor Zane White and police official Gene Roluffs, and they faced the prospect of heavy defense costs. They're from the author's Congressional District.

those who seriously believe—or have reason to believe—they have been the victims of improper police actions, or those who believe their civil rights have been violated.

But I do think it would make those who are interested only in harassing our police and courts hesitant to prostitute the legal process for their own purposes, whatever they may be.

The IACP—on its own initiative—submitted my proposed measure some time ago to police department legal staffs, attorneys general and city attorneys throughout the country and asked for comment on it. The response, the IACP says, was one of the heaviest ever to such a request for comment, and the reaction was overwhelmingly favorable.

For example, Bernard L. Silbert, former legal adviser to the Baltimore, Md., police department, says:

"As an attorney who has tried several of these civil rights cases, it is my considered opinion that the requirement of the posting of bond will greatly deter individuals from filing frivolous civil rights actions.

"In my experience many of these [federal] cases are brought so as to interfere . . . with pending state court prosecutions. When it becomes apparent to the litigant that he stands to lose a sum equal to the cost of legal fees for the defense of such a case, the desire to take such an extraordinary step will have to be weighed carefully before choosing the federal forum."

Some would even go beyond the provisions of my bill. Royall P. Terry Jr., legal adviser to the Daytona Beach, Fla., police department says:

"I have long felt that many of these suits are not only frivolous but the results of actual conspiracies to defame law enforcement officers and their departments.

"Such conspiracies ought to be punished as crimes. . . . Punitive damages should be allowable against any organization or individual participating in a frivolous or malicious suit."

Attorneys engaged in the law enforcement field believe there is a crying need for such legislation. So too, I think, do many outside the field.

END

Did you attend high school?

What are your qualifications for the job?

Name and address of every previous employment as a law enforcement officer.

Why were the previous jobs terminated?

Were you ever a defendant in a suit charging you with abuse of authority?

Has your employer bonded you to protect against liability for any abuse by you of your lawful authority?

Do you own any property?

Where is it located?

What's the income from it?

Do you have any other investments?

How much income do you get from them?

"All the officers," Mr. Hunter says, "had to fill out this questionnaire. In addition, they had to come in many times to appear in court.

"After much publicity given to the plaintiffs' claims, all but one withdrew from the case—which was finally dismissed.

"But a lot of harm had been done to the police. Most of the newspaper accounts came from the plaintiffs' court complaint—which had no resemblance to the truth."

The plaintiff may pay

To help curb nuisance suits against law enforcement agencies, I have introduced a bill which would make it very clear that there are certain responsibilities—and possible costs—attendant to the practice.

Essentially my bill would make it necessary for a plaintiff suing a law enforcement officer in federal court to file a bond with the court for payment to the defendant of reasonable costs of investigation and legal fees if the officer prevails.

I do not think this would deter



Price Commissioner Grayson displays a plaque that hangs in his office.

Eight Ways to Raise Productivity—and Profits

BY C. JACKSON GRAYSON JR., CHAIRMAN OF THE PRICE COMMISSION

Here are some insights gained as a business school dean and consultant to corporations, and at the apex of the federal price control structure

Like other American businessmen, your cardinal aim is to maximize profits. And, like your fellow entrepreneurs, you want to see inflation cut down to size and federal economic controls ended.

I not only share your goals, I can recommend an eight-step program which can lead to these desirable objectives.

We can return to the free market system sooner—and you can build higher profits—through a nationwide effort to accelerate productivity.

I do not mean merely a boost in the traditional yardstick of labor productivity—output per man-hour. We must think of productivity in a whole new context.

My experience as a business school dean, as a consultant to a number

of well-known corporations, and as head of the federal price control mechanism has provided certain insights I want to share with you.

The program I recommend involves: 1, productivity measurements; 2, management attitudes; 3, union work practices; 4, capital and human investment; 5, worker incentives; 6, productivity councils; 7, standardization; and 8, personal management practices.

Much is being said and written about productivity today. Its most common measurement—output per man-hour—increased 3.3 per cent annually in the 1948-57 period, 3.5 per cent in the 1957-66 period, but only 2 per cent in the 1966-71 period. During the 1969-70 slowdown, productivity actually dropped.

While it customarily declines in economic slumps and rises rapidly in good times, as it has been doing in recent months, many experts believe the United States faces a productivity crisis. The fact is that this country, in recent years, has ranked eleventh in productivity gains among the world's 11 most industrialized nations.

With this as background, let me expand on the steps in my proposed program.

1. Productivity measurements.

From the start, the Price Commission established productivity gains as part of its evaluation process in determining allowable price increases.

It discovered that most businesses applying for price increases had unreliable methods of measuring their productivity. Some had none at all.

Significantly, companies with high productivity generally were those with the best prepared and most fully understood statistical information and methods. And it seemed that those with inadequate records and computation methods tended to have lower productivity.

From our studies, it has become clear that a new, more comprehensive definition of productivity is necessary, going beyond the narrow output-per-man-hour concept. Inputs of psychologists, sociologists and management experts must be added to identify quality of work as an integral factor of measurement. This is especially true in the ever-growing service industries.

Productivity is a combination of men, machines and management methods. So, total productivity includes the effects of labor and capital, plus management know-how and innovations.

With the help of work already under way at universities and public and private institutions, we must devise better means of measuring productivity in order to better identify its sources.

2. Management attitudes.

I have found in my contacts with companies that a major factor which inhibits productivity is resistance to change.

Although American industry is a wellspring of innovation, too often ideas which could result in better organization or better procedures face a pattern of opposition. You hear: "But it's never been done before." Or: "That seems a bit odd for us to do." Or: "It's too much trouble." Or: "But this is the way we've always done it."

Too many businesses have a built-in rigidity that blocks change. This kind of rigidity is analogous to restrictive union work practices, but rarely is seen in that light.

Many managers confuse long hours at their desks, and heavy brief-

cases carried home, with productivity. A manager who holds endless meetings and makes frequent conference calls may be extremely unproductive in reality.

A related problem is reluctance of top management to delegate real authority to subordinates who will one day move higher. It is one thing to ask subordinates to take the initiative but sometimes quite another to mean it. The energy and enthusiasm of the younger man are dissipated when he finds himself working for someone who will not really permit him to try something new.

The man in your organization who has an idea for a new way to organize a company function, to change sales territories, to drop an unnecessary operation, must have a channel of communication to top management. And top management should listen and act.

Economic pressures of the recession exposed a good deal of what might be called management featherbedding. During the boom years many companies succumbed to Parkinson's Law, adding numerous "assistants to" and "directors of" to their staffs. Much of this has now been eliminated, but much remains.

3. Union work practices.

Restrictive union work practices are another major block to productivity. Their cost in dollars and in efficiency is enormous.

They include union rules requiring more employees than are needed, limiting management's right to use more advanced methods and penalizing a business by requiring excessive pay.

Many of these rules were adopted in a less secure period of labor's history, but still live on.

Major manufacturing industries report that maintenance costs, for example, may be 10 to 25 per cent higher than they should be because employees in certain crafts cannot do maintenance work outside the tight job definitions of their crafts.

The cost of restrictive work practices in the construction industry alone is between \$1 billion and \$3

billion a year, according to a Commerce Department study, and industry sources claim that up to 40 per cent of a payroll dollar can be for unnecessary or unperformed labor. Some contracts require a foreman even if only one worker is on the job.

Unions and workers must be made aware of the economic harm done by make-work practices and limitations on use of new methods. They must realize that future employment opportunities will be lowered, not raised, through such practices. Ultimately, the public shifts away from overpriced goods and services; companies no longer can stay competitive, and must cut back employment or go out of business.

4. Capital and human investment.

The United States ranks at the bottom of all major industrial countries in percentage of gross national product reinvested in fixed assets. Much of our factory equipment is obsolete. We must have proper incentives for investment in capital improvements to achieve greater productivity.

But investment should not be limited to machinery. It must include investment in people—in their training and retraining.

It will be particularly important in our era of rapid change that human beings are updated to match the improvements in technology.

Some organizations are not as accustomed to making investments in individuals as they are in plants. Top management will spend considerable time weighing a decision to put that extension on the refinery or to buy an additional milling machine. Yet it will typically give much less thought to the productivity or obsolescence of workers and executives who are probably far more important to the company's future.

5. Worker incentives.

A pronounced change in attitudes toward work has developed in the past decade in America. Innumerable

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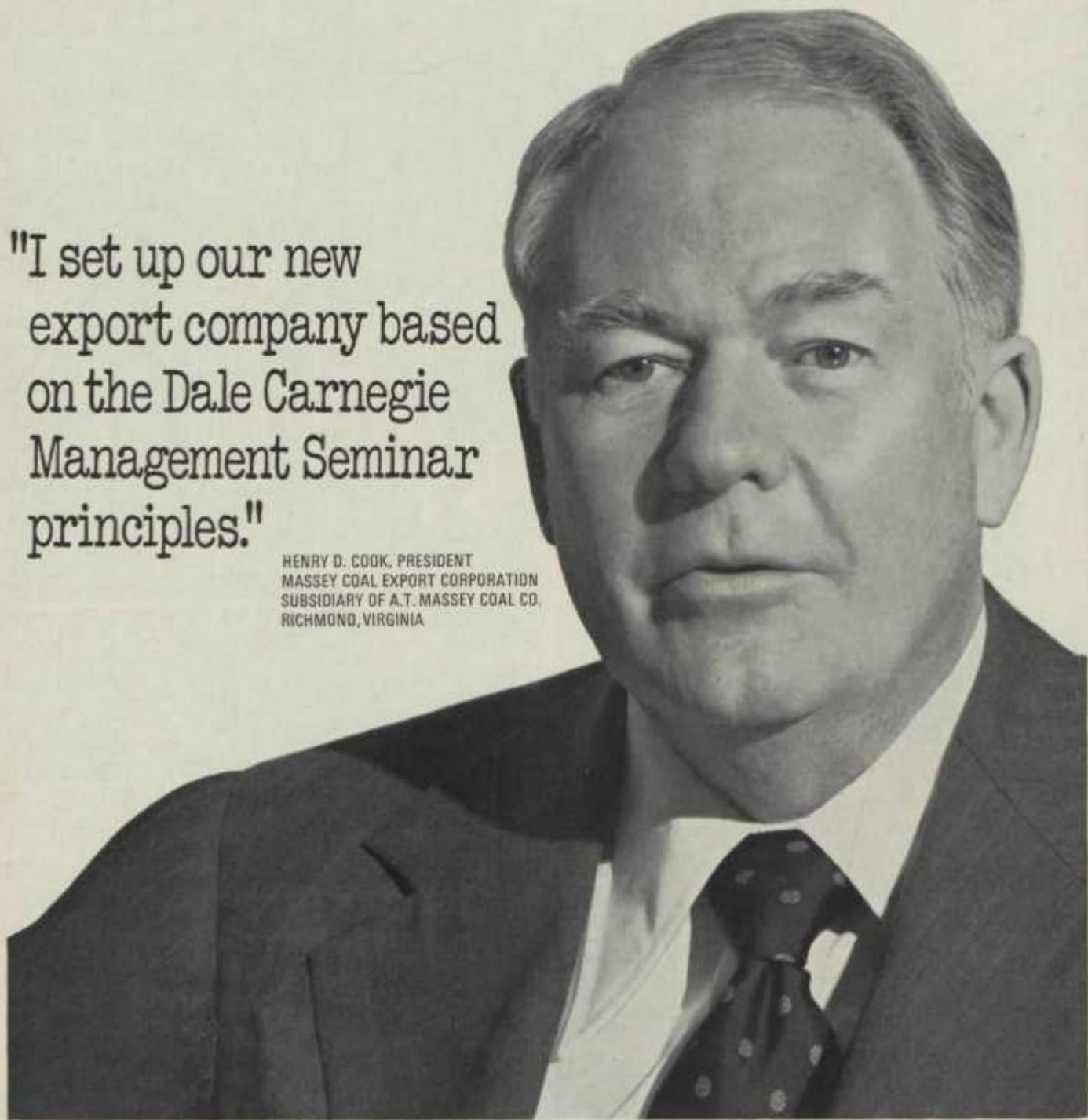
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Eight Ways to Raise Productivity *continued*

studies and surveys have shown a drop in the portion of young people who believe hard work pays off, and a rise in the number of people whose values have turned away from ambition and responsibility.

Similarly, a great change has taken place in attitudes toward authority. The dissolution of authoritarian structures throughout society has made it more difficult to enforce a chain of command. And demands for a voice in decision-making have led to more participation in management by employees, stockholders and customers alike.

In response to these feelings, some companies have loosened their supervision over employees and reduced the ratio of foremen to workers. In general, the results have been excellent. Many workers not only resent close supervision, but perform better without it.

No one really likes to work—or works well—with someone else looking over his shoulder.

Studies of worker attitudes reveal that the younger employee is far more concerned with job satisfaction and work environment than with financial incentives.

So-called human relations and job enrichment programs are no panacea. I certainly would not imply that all you have to do is redesign a job and you automatically multiply productivity. Dealing with people's motivations is most complex. Organizational development, behavior studies and sensitivity training, for example, have not always been marked with success. There have been misuses and failures.

However, I believe these approaches are in the right direction and some successful steps have been taken.

Chrysler Corp., for example, has been seeking to fix responsibility as far down the line as possible and grant the authority to go with it. It has also taken steps to ensure that workers know the results of recommendations other workers made for improvements.

Chrysler has found that many employee suggestions resulted in ways of doing the work more efficiently and more quickly.

General Motors has a program of regular meetings between foremen

and workers to look into production problems and come up with on-the-job solutions.

American Motors is using plant TV and radio stations to keep employees informed about company policies.

Motorola and IBM are both experimenting with the idea of reducing the boredom of assembly line operations by giving individual workers the job of putting a whole product together. The results are encouraging and quality control has improved.

6. *Productivity councils.*

We are working at the Price Commission to encourage establishment of productivity councils, on a trial basis, in several companies around the country. Such councils can offer a vehicle for getting management and labor to work more closely together at the plant and office levels to increase productivity.

Unfortunately, both management and unions, in many instances, cling to anachronistic and wasteful adversary relationships. Productivity councils and productivity bargaining could help to erase this outworn thinking that often keeps labor and management at odds.

These councils could aid in eliminating absenteeism and shoddy workmanship, increase efficiency and lower costs. Labor should share in the proceeds of high productivity attained through such groups.

Wheeling-Pittsburgh Steel has had only a few months of experience with labor-management productivity committees in its mills, but the trend of absenteeism and tardiness is noticeably down and grievances have dropped sharply. Moreover, hundreds of useful suggestions for improving productivity have been generated—without any reward program being involved.

7. *Standardization.*

In its eagerness to give customers the widest possible choices in products and services, American business may have overshot the mark.

Perhaps, limitless variety aimed at

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Eight Ways to Raise Productivity—and Profits *continued*

satisfying all the vagaries of the consumer market has gone too far. Some consumers are confused by the profusion of products and probably would rather settle for less variety and more standardization if lower prices followed.

Increased standardization could have significant impact on productivity.

In certain industries such as food retailing, where transportation is a major cost element, studies indicate that efficiency is lowered by as much as 25 per cent because of lack of standardization in pallet and carton sizes.

Manifold variety makes automation difficult and raises the cost of handling and distribution. By contrast, in Germany, many wholesalers, retailers, cooperatives and mail order houses have agreed on standard dimensions for packages and shipping containers.

Some early steps have been taken in this country, through the encouragement of the Commerce Department.

Industry committees have voluntarily adopted standards for some product lines. The number of different package sizes for toothpaste, for example, has been reduced from 57 to five, and for detergents from 24 to eight.

8. *Personal management practices.*

It may seem obvious to mention the need to motivate, create and delegate to attain higher productivity. But these are vital functions, and you can increase your own productivity by a few simple but effective techniques.

As to motivation, I have found there is a tremendous unused capacity in most people.

If an organization asks more of an individual, gives him responsibility and holds him to a level of excellence, this unused energy and capacity can be unlocked.

At the Price Commission, for example, we had only 16 days to design a controls program for the U.S. economy. We just had to make undreamed of demands of each other, and people rose to the challenge.

The reservoir of productivity was there.

Organizations which ask for excellence and reward it will get it, I have found.

Many people are willing to assume more responsibility than their employer gives them. Several major electronics companies recently decided to make production workers responsible for quality control. They have found that the reject rate drops and employee satisfaction—and productivity—rises. In addition, they save the added cost of inspectors.

Concerning creativity, a few hours should be devoted every week to examining what is being done and how it can be done better. Looking for a better way should be an endless search. At the Commission, we do it each week.

In addition, the key people in a business need to retreat to a quiet atmosphere every now and then and plan where to go next. These meetings should not be just for top management but for key people from all levels of the organization.

As for delegation, I have been to many meetings—and I imagine each of you has, too—where the session ends and nobody knows what happens next. It is essential that discussion of an item is completed, a decision is made, somebody is assigned to carry it out and a deadline is set for completion. Failure to pin down specific targets and timetables leaves you spending untold unproductive hours chasing open-ended decisions.

How often do we load down a highly paid, trusted assistant with projects that we could just as well give to a lesser paid, lesser skilled employee—and thereby increase productivity? How often, indeed, are you guilty of spending your own time doing things that an assistant or your secretary could easily do for you?

How well do you plan your own day? Some people work best early in the morning, some late in the afternoon. Do you arrange to handle the toughest problems when you know you are at your peak efficiency? Do you make a practice of setting up a specific agenda for meetings or even phone conversations, to

make sure all important points are covered?

These simple aids to personal productivity are not new to any of us who have been involved in business, but it is surprising how easily we ignore even them.

Too often, productivity is seen as a tool for making labor more productive. But this is only part of the battle and perhaps not even the most important part.

Do you remember the last time you examined your *own* productivity?

Have you considered that this may be where your firm's productivity problems begin? Certainly it is where the solutions must begin.

Greater productivity spells greater profits. I think it should be recognized that although Congress gave the Price Commission the power to control absolute profits, we decided to control only profit margins.

We are convinced that absolute profit control would have discouraged growth and efficiency. We want to hold down prices, not profits. Any business can increase its absolute profits.

To do so, it has to generate higher volume through more productivity. And productivity will be the road we will travel toward a return to the free market system.

C.B. (Tex) Thornton of Litton Industries chose for the title of his book: "Someone Has to Make It Happen."

I liked the phrase so much that students of the Southern Methodist University Business School, where I was dean until called to Washington a year ago, had it engraved on a plaque which now hangs behind my desk at the Price Commission. When it comes to improving the productivity of your firm, someone has to *make it happen*—and that someone probably is you. END

REPRINTS of "Eight Ways to Raise Productivity—and Profits" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

The Unionizing Push in the Professions



If you serve liquor once a year at a Christmas party, could your company survive a lawsuit?

Probably not, unless you have proper liability insurance as part of your business protection package. Frightening as it may sound, legal action resulting from alcohol consumed on your premises can be financially disastrous.

A good commercial package policy automatically covers such unusual occasions as Christmas parties. Does your policy?


If you sign a delivery receipt, are you accepting a contractual liability that could destroy everything you've built?

It's entirely possible—unless your commercial liability insurance covers all written agreements. Many

receipts state "you will hold me harmless" for bodily injury and property damage caused by goods delivered—once the receipt is signed.

Standard business insurance policies don't cover all written agreements, but this is an automatic part of the broader coverage offered by a good commercial package policy. Are you covered?

Are you supposed to check your insurance policy before you do anything?

Of course not. If you've given your insurance man the facts about how you do business, he should have the answers to any questions you have. If he doesn't, we suggest you call in your local independent  agent representing Transamerica Insurance Group. He specializes in writing commercial package policies. You'll find him listed in the Yellow Pages, or drop us a line at the address below.

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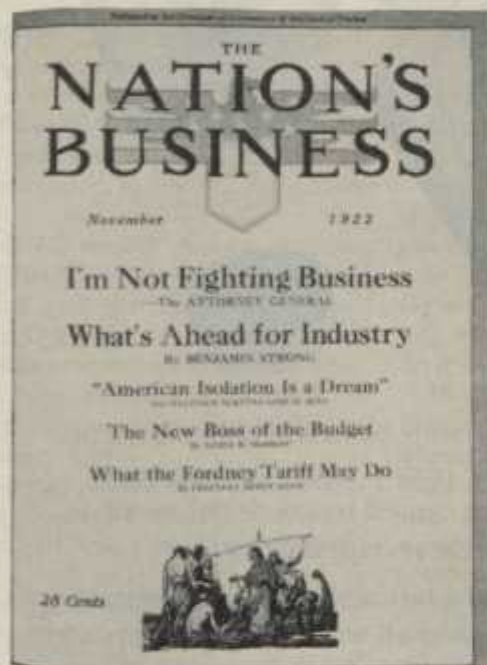


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The Past Is Prologue

Fifty years ago in Nation's Business

(established 1912)



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Handwritten signature

Foreign trade is much on the mind of the American businessman today (see "Russia: The Curtain Rises on a New Trade Era," page 54). And so it was a half-century ago.

A major article in NATION'S BUSINESS in November, 1922, was an analysis by Chauncey Depew Snow of "What the Fordney-Tariff May Do."

It discussed the Fordney-McCumber Tariff Act: How would it affect imports and exports? Was it "restrictive" or was it in the nation's best interests? The article included tart comments by persons opposing and favoring the law, and the author concluded: "The seventh son of a seventh son would have some difficulty in saying just what is going to happen as a result of the Fordney-McCumber tariff."

The issue also carried an article by Attorney General Harry M. Daugherty, later involved in controversy that swirled around the Administration of President Warren G. Harding, in which he said that he wasn't "fighting business" and that he favored "common sense" law enforcement "in dealing with citizens who are not deliberate lawbreakers."

There was an interview with Reginald McKenna, a leading British banker and former Chancellor of the Exchequer who had a reputation for plain talk. "The McKenna machine gun" hit topics ranging from the new tariff law to Britain's World War I debt to the U.S.

The business community apparently still had the jitters from the muckraking days, and Roscoe C. Mitchell described how businessmen were reaching out to communicate more effectively with the public. In a story entitled "Mr. Business, Meet the Public," he reminisced about tagging along on one of John D. Rockefeller Sr.'s Sunday afternoon strolls in Manhattan.

They came upon some boys who were in a dice game, he said, and Mr. Rockefeller told the youngsters: "This is wrong. You must not gamble. And this is the Sabbath day, too."

Mr. Rockefeller offered the boys some brand new dimes he was carrying and urged them to "run along home." But the dimes were denounced as "chicken feed," and the game—as well as the Rockefeller stroll—went on.

There were other articles about railroad strikes, the burgeoning cotton business and the toll of goods lost and damaged in transit. There was even a poem called "The Financier" that ended:

*"The man of achievement with the gift of power
Raised his head and harkened to the striking hour
To the voice of the future sounding clear
To a new age calling to the financier!"*

The Unionizing Push in the Professions

Doctors and diplomats, stockbrokers and scientists... they're eyeing collective bargaining; but critics say those who try it may get more than they bargained for

Across the country, thousands of professional and technical workers are showing a surge of interest in joining unions or converting old-line professional associations into collective bargaining units.

The results of such militancy and how deep a trend it is aren't completely clear. But this much comes through:

If the trend continues and grows it will have dramatic effects in private businesses, universities, the government and anywhere else highly skilled, highly educated workers are employed.

"The professionals are on the march," is the way one union leader puts it.

Doctors, professors, stockbrokers and diplomats are among groups at the top of the job ladder in pay and status that have been showing signs of willingness to pin on union buttons.

- Physicians in half a dozen states have formed unions to fight what they think is undue interference in their practice of medicine.
- The American Association of University Professors has decided to

allow its units to engage in collective bargaining on faculty prerogatives.

- Stockbrokers, unhappy with their share of the commission dollar on Wall Street and dissatisfied with their status, have given one of their professional associations a collective bargaining capability.
- Foreign Service officers at the U.S. State Department, who help shape foreign policy, have joined a public employee union affiliated with the AFL-CIO to push for changes in promotion and grievance procedures.

Critics of the movement of professionals and technical workers into collective bargaining units see many implications. They fear changed relationships will damage the professional's traditional sense of objectivity and dedication to the goals of his profession—a fear expressed by many professionals themselves.

In a study of white collar unionization, made for the Conference Board, Edward R. Curtin quotes an official of a company whose sales force was unionized as saying:

"The most serious disadvantage for the company is that a 'wall' has been created between the management team and salesmen that did not exist before, and which is making man-to-man motivation most difficult."

Other critics of the trend toward unionism see the company, laboratory, university or government agency as losing vital flexibility in planning work and shifting employees. Obvious drawbacks for the employer include higher wage costs, more time spent dealing with union grievances and the heightened possibility of strikes and slowdowns.

For the individual professional, one consequence of unionism—with its seniority and fixed salary scales—could be the erosion of recognition and reward for superior performance. Critics also cite dues requirements, strike-supporting activities and loss of status due to union affiliation as additional items that higher skilled workers might consider before taking the plunge.

While economic circumstances and specific grievances vary from industry to industry, some general factors appear to be pushing professionals and highly trained technical workers toward collective bargaining:



Stockbrokers: Militancy among Wall Street brokers flared last spring when the industry promulgated a new commission schedule. Merrill Chapman, drive leader, stands before a call to action.

There will be a meeting of disgruntled (angry, enraged) Registered Representatives

At Manhattan Center. Thursday April 6th. At 4:30

there

The Unionizing Push in the Professions *continued*



Foreign Service: State Department Foreign Service officers can now join a union. Don Kienzie (center), a union vice president, confers with fellow diplomats. New promotion procedures are a key demand.

- Many salaried workers have found their immunity to layoffs a thing of the past. Thousands of white collar jobs were wiped out as business coped with the recent recession by cutting back office staffs. Engineers, the darlings of the 1960s employment market, lost their jobs in droves due to slumps in the defense and aerospace industries. Large numbers of such well educated workers are still unemployed.

- Bureaucracy has been growing, and the individual professional in the same organization has experienced declining bargaining power. Particularly in government, professionals have run afoul of what they considered unfair and arbitrary practices they could do little about. Working conditions, salary and job status are vital areas in which they have seemed to have less say than in previous years.

- There is belief among professionals that large areas of judgment they

once controlled have been sacrificed to the logic of the mass organization. Teachers, for instance, in strikes around the country, have frequently insisted their professional judgment be an input in determining school policies. Doctors and engineers have called for similar changes.

- Groups such as teachers have scored successes when they banded together to push their demands. Professionals also see the tremendous power of blue collar industrial unions in prying big wage gains out of employers.

Militant M.D.'s

Perhaps the most surprising example of unionism in the professions is the militancy found among doctors. About 3,500 physicians (there are approximately 195,000 office-based doctors in the U.S.) belong to new unions. There are federations based in California, Florida and

Texas, and one in Las Vegas, Nev., that is affiliated with the AFL-CIO.

In mid-October, 11 doctors' unions met in San Francisco to discuss forming a national federation.

While the movement is still in its infancy, there are indications of broad support. A survey by *Medical Economics* magazine indicated three out of every five physicians in the country believe doctors should unionize.

One physicians' organization is the Union of American Physicians. According to its president, Dr. Sanford A. Marcus, 51, a Daly City, Calif., general surgeon, it has picked up 1,400 members since its founding last April.

"We're trying to prevent an encroachment on the decision-making in medicine by a consortium of government and insurance companies," says Dr. Marcus. "They're trying to reduce doctors to the level of public functionaries."

With an eye on the national health insurance that most doctors accept as inevitably becoming law soon, and which many of them see as bad for patients as well as physicians, Dr. Marcus stresses: "Our union is a defensive operation for the interests of the patient against adverse changes in health care, as well as a protective union for doctors."

What type of things would a physicians' union bargain about?

"First," Dr. Marcus says, "to ensure that standards of care are not encroached on. Second, to see that the doctor is not denigrated economically by the government and insurance companies that siphon off fees in administrative and bureaucratic nonsense that doesn't improve medical care."

Leveling the mountainous burden of paper work and preserving the physician's close identification with the interest of his patients would also be fought for, Dr. Marcus says.

Could there be a doctors' strike?

"If we are to be a true labor organization, the strike is possible," he says. "But it would never involve withholding essential care of sick individuals." Rather, Dr. Marcus thinks strike action might take the form of failure to do paper work, refusal to recognize a particular health plan or deferral of routine physical

Have
exams and nonessential surgery.

The movement to unionism, Dr. Marcus asserts, isn't opposed to the American Medical Association, which traditionally has spoken for doctors, but an AMA declaration that it couldn't be a union helped spur the union trend. "Professionalism is an archaic, ivory tower concept," Dr. Marcus declares.

Another factor bugging doctors is what they believe is an image of them as rich men trying to squeeze money from helpless patients.

Only 18 cents of the health care dollar ends up in the doctor's pocket, while the rest goes to hospitals, nursing homes and elsewhere, Dr. Marcus says. "We're taking the rap" for the sharp hike in medical care costs, he adds.

Actually, doctors say, the cost of practicing medicine is outpacing rewards. Physicians have been limited to 2.5 per cent hikes in fees since the wage-price freeze in August, 1971. Dr. Marcus reports, as an example, that he works a 75-hour week, with the first 38 hours needed to pay his overhead expenses.

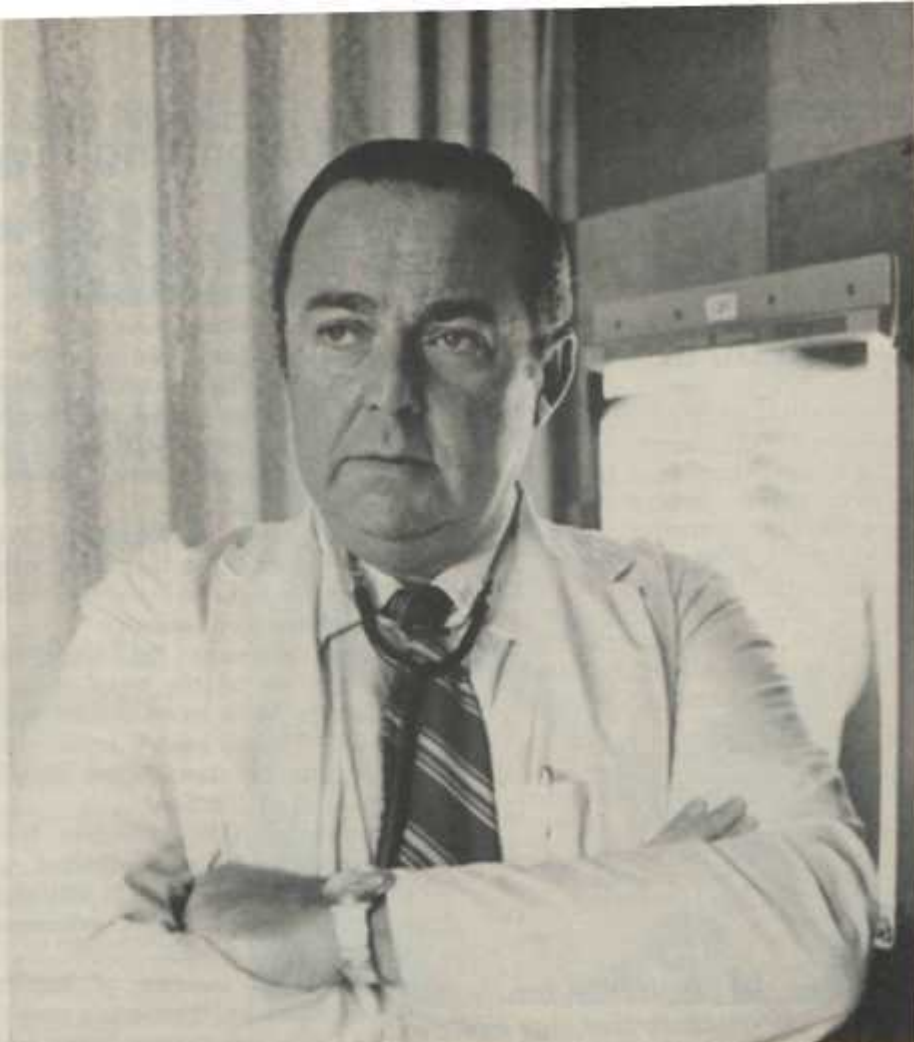
But there are strong critics of the movement toward collective bargaining for doctors. Dr. Carl Hoffman, who became AMA's new president in June, said in his inaugural speech that "unionism for the physician would be the very antithesis of individualism. Unionism seeks its objectives through group power—and it achieves its power by carefully controlled conformity."

A strike or threat to strike, he said, violates medical ethics because it is a threat to withhold services.

Also, he cautioned that unionism would undermine the doctor-patient relationship. "This trust is our greatest strength," he said, "and our most precious possession as a profession."

The Association of Investment Brokers, with about 2,000 active members out of the nation's brokerage retail sales force of some 30,000, recently amended its charter to enable it to conduct contract talks. Merrill J. Chapman, Association president, calls the group "a professional association with a collective bargaining capability."

Mr. Chapman, who is with a New York City firm, sees the militancy



Physicians: Fears that nonmedical groups are shaping the future practice of medicine in the U.S. have put doctors in an organizing mood. Dr. Sanford Marcus heads a growing physicians' union.

as stemming from brokers' failure to participate adequately in new, higher commission schedules governing stock trading. In addition, he thinks, rocky times in the industry in the 1969-70 market slide, and the trend toward merger of brokerage firms, have contributed to apprehension.

"Our organization also stands for better brokers—for a more professional cadre of brokers," Mr. Chapman says. "The way we see it, brokerage houses are trying to change brokers into simple salesmen rather than professionals offering personalized service."

In a state at State

Dissatisfied with the role of the American Foreign Service Association in pushing for changes in promotion and grievance procedures at the State Department, a small percentage of Foreign Service officers has joined the American Federation of Government Employees (AFL-

CIO) in hopes of getting action. There is also some unhappiness with Foreign Service pay scales in comparison to those of other government agencies.

"The normal Foreign Service officer probably has an anti-union bias," explains one middle level man who has pinned on a union button. "It takes quite a self-reappraisal to bring yourself to pay dues and sign a union card. I feel very little in common with the AFL-CIO."

But Don Kienzle, a Foreign Service officer and first vice president of Local 1534 of the AFGE, says: "It's a perfectly legitimate action to join with other people in seeking changes. It gives us a lot more clout and access to legal help."

Says another Foreign Service officer: "People are just more willing to express their discontent now, and less willing to put up with what they think are injustices."

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The Unionizing Push in the Professions

continued

versity Professors, meanwhile, recently decided to allow its chapters to engage in collective bargaining.

"As a professional association, we do not—nor should we want to—merely imitate the industrial union," comments Walter Adams, the group's president. He says AAUP wants "to protect and promote certain professional principles."

Says another spokesman: "We believe higher education is a meritocracy. We want to avoid the trade union emphasis on seniority."

Many professors are upset by what they see as the trend toward less faculty voice in university governance. "There's been a transfer of authority to the state budget office," asserts an AAUP official.

However, AAUP collective bargaining will hardly be limited to "professional principles." It will take up wages, fringe benefits, grievance mechanism and tenure.

The rate of increase of faculty salaries, which enjoyed strong growth in the 1960s, has slowed down. And numerous financially strapped colleges and universities have had to freeze or cut faculty sizes.

To date, only 15 AAUP chapters out of 1,300 have been certified to bargain collectively, but several elections to give other chapters a bargaining capability are scheduled.

Courting the engineer

Engineers and scientists are being courted at companies like North American Rockwell, Lockheed, Convair and McDonnell Douglas by both the United Auto Workers and the National Marine Engineers Beneficial Association.

"Pay is a factor, but not the predominant one," says Frank Paterik, a mechanical engineer who has worked for Lockheed for 10 years. In June, about 4,700 scientist and engineer employees of the company's Sunnyvale, Calif., plant, where he works, voted against affiliating with NMEBA. With about 90 per cent of the work force voting, affiliation was rejected—62 per cent against, 38 per cent for.

According to Mr. Paterik, who was active in the NMEBA campaign, a major complaint of pro-unionization employees at Lockheed was the

"fickle, inequitable manner used in choosing those who were to be laid off" when the slump hit the industry. "It came under the heading of politics, not professional competence," he says, claiming that men whose productivity was low often were retained, while more able producers were not.

Another problem creating unrest, Mr. Paterik says, is that there simply isn't enough "meaningful work" to go around. "Hordes of people in the aerospace industry are in ancillary positions, yet they are highly qualified," he reports. He goes on: "I expect there will be another attempt to bring in a union. It's a matter of timing."

NMEBA, which started 97 years ago as a union for licensed engineering officers of merchant ships, has over the past few years absorbed a number of professional associations, including the Professional Air Traffic Controllers Organization (employees of the Federal Aviation Administration). NMEBA thinks it has the world's largest concentration of unionized Ph.D.'s among some 300 professional employees of the Shell Laboratories, Emoryville, Calif. It also has recruited public utility engineers and some state and local government professional employees.

The UAW won an election in June over NMEBA to represent 9,000 professional employees at North American Rockwell. The union has a division called Technical, Office and Professional Employees and thinks what happens in the aerospace field could lead to bigger things.

But a spokesman says TOPE is cautious in white collar organizing. "It requires a lot of time, money and effort," a UAW official points out. And experience has been in years past that once the immediate demands of white collar workers are met, "attitudes change" and militancy wanes, he says.

Another active union in the professional field is the AFL-CIO's Scientific, Professional and Cultural Employees. Under its banner are such unions as the Actors' Equity Association, American Federation of Teachers, American Federation of Musicians and American Federation of Technical Engineers. **END**

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Charles F. Myers of Burlington Industries

The fabric of success

Charles F. Myers Jr. is a predictable man.

Chat with him for a while and you know that on Sunday mornings you'll find him in church. You know pretty well what he'll be wearing then or on most other occasions—dark suit, white shirt, sober tie.

You know that if you ask him a question, you're going to get a straight, honest answer.

You know that when he speaks—forcefully, but never, never raising his voice—people listen.

And you know that he'll be at home as much as he can be.

Home for Charles F. Myers is Greensboro, N.C., and though he is chairman and chief executive officer of multinational Burlington Industries, Inc., and must spend many working hours in New York and travel frequently to Europe and the Far East, he's in Greensboro most of the time.

Burlington, the world's largest diversified textile firm, is headquartered in Greensboro.

It's a pleasant city, one in which Charles Myers fits because, despite

his international operations, he's a Southerner through and through.

Though he happened to have been born in West Virginia, he was raised in Greensboro, his ancestors were Virginians, and he tells you of his Southern heritage with tremendous pride.

Mr. Myers, whose father was a Presbyterian minister, went to Davidson College, a Presbyterian school near Charlotte, N.C. He was a classmate of Dean Rusk, who served as Secretary of State for eight high tension years.

After getting his A.B. at Davidson he went to Harvard for graduate work in business administration, and then to Wall Street with The Bank of New York. He soon heard the call of Dixie again and back in North Carolina began working his way toward the top in the Wachovia Bank & Trust Co., the South's largest bank.

He turned to Burlington at the invitation of J. Spencer Love, Burlington's founder and a legendary figure of American business.

Mr. Myers is married to Rebecca

Wright of Charlotte, and they have four daughters—all grown.

NATION'S BUSINESS spent a day with Charles Myers in his big, modern headquarters building amid the pines, oaks and hickories of North Carolina. In the interview that follows, he gives his views on subjects including tennis, textiles, world trade—and what it takes to be a successful business leader.

Mr. Myers, have the textile people anything else up their sleeves like double knits?

Nothing so drastic as the knitting revolution which began eight or 10 years ago in women's wear. It's been the most drastic revolution in apparel that I can remember. The pendulum swung strongly toward knits and my guess is it swung too far and will come back.

Burlington was slow getting in knitwear. Why?

Several reasons. We were big producers of textured polyester yarn, which is the basic yarn for knit fabrics. So, in effect, we were selling to

Lessons of Leadership: Charles F. Myers *continued*

knitters. Another reason was that some of our customers who make men's clothes did not feel the trend to knits was going to be as strong as it turned out to be.

You're a veteran in finance as well as textiles. How did that happen?

When I finished graduate work at Harvard in 1935, I joined The Bank of New York. But I soon came back South and joined the Wachovia Bank & Trust Co. and eventually got to be a vice president in the Charlotte office.

I remained with Wachovia, except for Navy service during World War II, until 1947 when I came to Burlington as head of the financial services department.

Briefly stated, I became treasurer in 1953, joined the board in 1955, was named executive vice president in 1961 and the next year became president and chief executive officer. In 1968, I became chairman and chief executive officer.

Of course, I've overseen marketing, labor relations, international operations and all the rest, but I've never actually been in those departments.

You succeeded a noted leader in the textile world—J. Spencer Love, who founded Burlington 50 years ago with one small plant. What was he like?

I had a warm relationship with Spencer. He and I were tennis competitors for years.

He had a capacity for bringing all sorts of information together, and he utilized his time with care. He had secretaries in his office and secretaries at home. When he came off the tennis court, he had a secretary waiting and he would go right to work dictating.

Once, I was driving him home from work and I got so engrossed in the business we were discussing that I took a roundabout route. He noticed and asked if I always went that crazy route. I had to say something intelligent so I said No, I believed in taking different routes each day so I wouldn't get in a rut.

The next morning, sure enough, Spencer was using my roundabout route. But when he saw me, he said he didn't like it—because it took two minutes longer.

Spencer was 65 when he died of a heart attack after playing tennis.

You're 61, and still a tennis player; how is tennis on a 61-year-old heart?

Fine. I'm a believer in exercise. I feel better by playing tennis three or four times a week. I've been doing it for 20 years. I only play doubles.

I think it's silly if you play hard once a week, or every two weeks. You must play more regularly. I've got friends much older than I who play regularly and seem to be in great shape.

Three friends and I built an indoor court here in Greensboro, so we play the year around. It's steel constructed, with high ceilings, and well lighted. And, we just incidentally have some Burlington carpeting for the playing surface.

You play tennis on a rug?

Yes. It's like playing on good grass, but without the imperfections of grass.

Will Burlington market this carpeting as a tennis surface?

That market is so limited that we really have not pushed it. But we have sold some of it for tennis.

You are reported to be knowledgeable about executive health. How do you feel about the two-martini lunch, lack of checkups, no vacations, no exercise, no outside interests?

It's common sense to be against all of them.

I don't hear of many two-martini lunchers any more, not even in New York. I think there's a group in the promotion-advertising field that goes in for martinis, but you don't see lunchers like that on Wall Street or in the banks. The custom is more of a rarity today than it was 10 or 15 years ago. And it doesn't exist at all in a town like Greensboro.

As for annual physicals, adequate vacations and plenty of outside interests—well, an executive simply functions better if he keeps his physical and emotional health in top shape.

How did North Carolina get so many of the big textile plants, like Burlington and Cannon?

The textile industry started in New England with the raw material, cotton, coming from the South. But shipping it up was not economic. Also, management was largely absentee—it was interested in dividends but it showed too little inclination to improve plants and equipment. And the workers got so they weren't productive enough.

Plants moved South to be nearer the source of raw material. Down here, we had a vast supply of people who had come from the farms and mountains. They're good workers.

And, I think Southern owners of textile plants have been much closer to the mills than the New England owners. The shift was under way by 1900.

Is Burlington penalized by having its headquarters outside of New York?

We have a peculiar setup in that we have dual headquarters. We have 1,500 to 2,000 people in New York City, and my president is a resident of New York. My chief of finance is there. Our corporate headquarters and our basic staff are here in Greensboro.

I and most of my associates here will spend two to three days a week in New York. We use a company plane for transportation and there also is good commercial service.

Is there any feeling in Burlington for moving out of New York City entirely—to Westchester or Connecticut?

No. We recently moved into a new building at Sixth Ave. and 54th St. called Burlington House, where we have some 20 floors.

We did move one divisional operation out of New York City, but it was a trial. We have no plans to do anything more. I will say that if conditions in New York City don't improve, the pressure will be on to move.

How can you and Burlington President Ely Callaway keep up with all the people, products and plants you have in so many different places?

We are in 12 countries, which is a lot. We have divisions of responsibility. We've got a dozen people in whom we have great confidence, and we have given them large au-

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Mr. Myers plays tennis doubles three or four times weekly. He and friends in Greensboro, N.C., built their own indoor court and used Burlington Industries rug material for the playing surface. The exercise keeps him trim, and looking considerably younger than his 61 years.

Charles F. Myers *continued*

thority. We're able to keep our fingers on all of this by constantly getting together.

In New York, we often have the head of our international operations back from Europe to give us a run-down. Every week or so, one of our executives from major areas will come in and give us his plans for the next three or four years.

Mr. Myers, your industry had a tough time in recent years, didn't it?

Yes, it did. The economy was on the slide. We had the style revolution in the knitting field. The import problem was enormous.

Now imports are under reasonable control. The Japanese yen has been revalued. Business has been turning up strongly this year, and the style revolution is beginning to settle down.

So I would say that basically the industry, certainly Burlington, is looking forward to the next 12 months being much, much improved.

As top man in the world's biggest textile organization, is the music you hear about imports from the Far East a dirge or a waltz?

Well, it's certainly not a dirge. Nor is it a waltz. It's a wedding march, because the Japanese are cooperating.

Can you live with what you have now in the way of import protection?

Yes. Pressures on us are not anywhere near as severe, and I think that with proper governmental supervision the market can be kept on a normal basis. Other countries can get an increasing share of our market without ruining us.

You know, we never said to "eliminate" imports.

We said that all we wanted was to have some reasonable, controlled amount of imports coming in.

How do you feel about protectionism for the U.S. in international trade?

Our industry is looked upon as being extremely protectionist, but I honestly don't think it is. I think our problem came up sooner, and we were more vocal, perhaps, in expressing our fear of a flood of imports.

I think the Burke-Hartke bill—the extreme position on controlled imports—is a result of what happens when some changes take place in the facts of life of world trade without the government realizing how the mass of people react.

Our political leaders did not realize how severe our erosion was—as far as foreign trade is concerned. There are many reasons why the United States is less competitive in the world than it used to be.

You know, being against free trade is like being against motherhood. It's not a logical economic position. On the other hand, there isn't any truly free trade in the world. Foreign governments help their companies, whereas our government can hardly help us.

If you set aside a few major electronics companies, airframe makers and one or two others, it's hard to find an American company which isn't meeting severe foreign competition.

I was on President Nixon's Commission on International Trade and Foreign Investments. I was representing textiles. The Commission started off with everybody looking at steel and textiles as being the bad boys. But soon the academic representatives, particularly, got an education as to what the real facts of international trade restrictions are.

You could make a great speech, as a lot of my good friends do, that the world is throttled unless we open our doors and have completely free trade. But, to me, this is just being unrealistic. The true world is just not that way.

Even in sophisticated areas, the United States is losing opportunities

to be ahead. Did you know that practically all our new machinery for knitting fabrics is of European make? Our American machinery manufacturers have not been as innovative as we would have liked them to be. This is true in many other areas of textile machine design.

By assuming that the United States will always be ahead, we are downgrading some smart people abroad. And I think it's time for a realization that we have an entirely different problem.

Burlington has tried to keep current and to know all sides. A lot of people couldn't have been more amazed when we put George Ball on our board. Here was a leading company in a "protectionist" industry putting Ball, a true free trader, a real old pro from the State Department, on its board.

Well, I think you can educate people—and I mean that both ways. I think George is beginning to see some of our problems in a different light. At the same time, here is a man with a global point of view, who brings us a different perspective on trade and the problems of competing in the world.

What's big business' answer to the strong criticism it is receiving today?

How do we combat this? We've got to go back to fundamentals.

We've got to be darn sure we're turning out good products so that consumers won't complain. We've got to treat our people better at every opportunity. We've got to spend more on pollution and the environment. We've probably got to stand up and be counted on some things that may or may not be 100 per cent tied in with the everyday running of our businesses.

I'm sure there are other things we can do, but we are doing a lot.

First of all, we've taken an active position in trying to get the minorities into jobs.

We take an active part as far as Red Cross, United Fund and other civic operations in our communities are concerned.

My friends in business spend 25 per cent of their time on so-called extracurricular activities.

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Charles F. Myers *continued*

school boards, and you move through the whole list—minority employment, hospitals . . . drives and funds of all kinds. And there's hardly a man in business who isn't actively working on college affairs of one kind or another.

Some students were polled recently and they said business made too much profit, that 20 and 25 per cent profit was too much. They thought companies shouldn't make more than 10 per cent.

Yes, I heard of that. The national profit average is 5 per cent. Now if that's not a story that can be publicized, what can be? Business must pull itself together and get this across.

In all of your years with Burlington what decision are you most proud of?

A decision made shortly after I became president to establish a profit sharing retirement plan for all our wage-hour workers. These amounts are beginning to build up and provide our workers with protection and financial flexibility in their old age. At present about 38,000 people are benefiting each year under this plan.

After a company closes plants, as Burlington has had to recently, what does it owe the people who are losing their jobs?

No. 1, it owes them a reasonable severance pay through pensions, pay and profit sharing. When we had to close plants, some of our people got as much as a year's pay.

No. 2, it owes them every opportunity to be placed somewhere else in its operation. We have 130 plants in the U.S.—most of them in North and South Carolina, Virginia and Georgia—and this gives us the opportunity to move people to another plant without major geographical shakeups.

We've been fortunate in that there has been a recent stout demand for good people—plenty of jobs available.

In addition, we've reopened plants we had to close, to make other products. For example, we closed three worsted plants in Virginia and the Carolinas. Within six months, they were open again and employing as many people, if not more.

You are often called a "reasonable" man. It's a nice phrase, but what does it mean?

I think it comes from the fact that I like people. There are few people I dislike. I'm flattered by the phrase.

What do you see as some of the attributes a leader must have?

The responsibility to see that the leadership group works together. That can mean keeping lines of communications open, keeping frictions down, keeping important things first.

I think a leader has to provide a sense of stability to his organization.

A leader must also have insight in knowing when major changes will take place in the broad areas of his business and be able to move ahead of the pressures.

He must be willing to take a chance, to go a little further than the easier decisions. A good example would be where to push your operations abroad. Will things be better in Europe? Or the Far East?

When the time comes for you to step down, what will be the best piece of advice you can give your successor?

Keep his sense of humor.

Another piece of advice—and I'm repeating something I said earlier—is to keep healthy. If there's one thing that I feel strongly about, it is that successful people are 99 per cent strong, healthy people. The smartest man in the world, if he has poor health, has poor energy.

Look around at the people who head big companies and big government departments. All of them have great physical energy. They can work 12 or 14 hours a day. They can work on airplanes, and over the weekend.

They are strong physically, as well as mentally. **END**

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Russia: The Curtain Rises on a New Trade Era

One evening last May Soviet Trade Minister Nikolai S. Patolichev went with three key aides and an interpreter to the Washington home of Secretary of Commerce Peter G. Peterson for another session of trade negotiations.

During a pleasant dinner it was learned that President Nixon would make an important speech about the Vietnamese War that night. No one knew what he would say and there was spirited conjecture.

What the President said was historic. He, in effect, threw down the gauntlet to the Chinese and Soviets.

STERLING G. SLAPPEY, author of this article, is a senior editor of *Nation's Business*. A former Moscow correspondent for the Associated Press, he accompanied Commerce Secretary Peterson to Russia last summer and has kept in continuous contact with the progress of U.S.-Soviet trade negotiations since then.

The U.S., he announced, was mining Haiphong Harbor and would bomb North Vietnamese military targets heavily.

The atmosphere in Mr. Peterson's TV room was taut as the President spoke, with Patolichev getting a rapid translation, nodding, glancing furtively about—but not saying anything.

When the President finished the Russians did not grab their hats and stalk out—as some Americans might have expected them to. Instead, they quietly began speaking again about the many complicated subjects on which they already had spent 30 hours in hard bargaining—including joint U.S.-Soviet business ventures, loans, interest rates, old debts, shipping arrangements, patents, licensing, copyrights, trademarks, arbitration of disputes, and facilities for U.S. companies setting up shop in the Soviet Union.

From that moment, it was obvious

U.S. negotiators headed by Commerce Secretary Peter G. Peterson (second from left) found on a visit to the U.S.S.R. that their hosts were eager to point out Russia has advanced capabilities in many spheres.





The American-Soviet trade picture is so complicated that Secretary Peterson and Trade Minister Nikolai S. Patolichev first had to come to a meeting of minds on how talks would be conducted and what specifically would be discussed. A formal agreement on procedures was signed in Moscow.

fied their efforts to do as much business as possible with the Soviets; U.S. firms have taken part in a major electronics exposition in Moscow and the U.S.S.R. has staged an industrial exhibit in Seattle.

And now, Secretary Peterson and Minister Patolichev have completed a series of meetings in Moscow and Washington which put together a comprehensive three-year trade agreement. Initially, assuming it gets over Congressional hurdles, it is expected to triple the \$200 million annual nonagricultural trade between the two nations.

However, there should be much more later.

The pact, which provides for extension of U.S. Export-Import Bank credits and loan guarantees, opens wider the Soviet market to private American companies, many of which already have begun negotiations for sales and construction projects. And it makes it seem highly likely that

U.S. firms, along with companies from Japan, Germany, Britain and other countries, will invest as much as \$20 billion in the next eight to 10 years in manufacturing and mining operations, and in pipelines, oil refineries, natural gas liquefaction plants and other energy-producing installations in the Soviet Union.

The negotiating toward the agreement was tough throughout the summer and autumn—"tougher than any American negotiating team ever engaged in that I know of," said one U.S. official who was involved on a day-to-day basis.

However, as another high-ranking American put it midway in those negotiations: "We have been building bridges toward the Soviets, and they have built bridges toward us, to get over some of the main differences."

"Meanwhile, each side accepts the other as it is. We have developed patience, we give a little here to take a little there. But we are holding

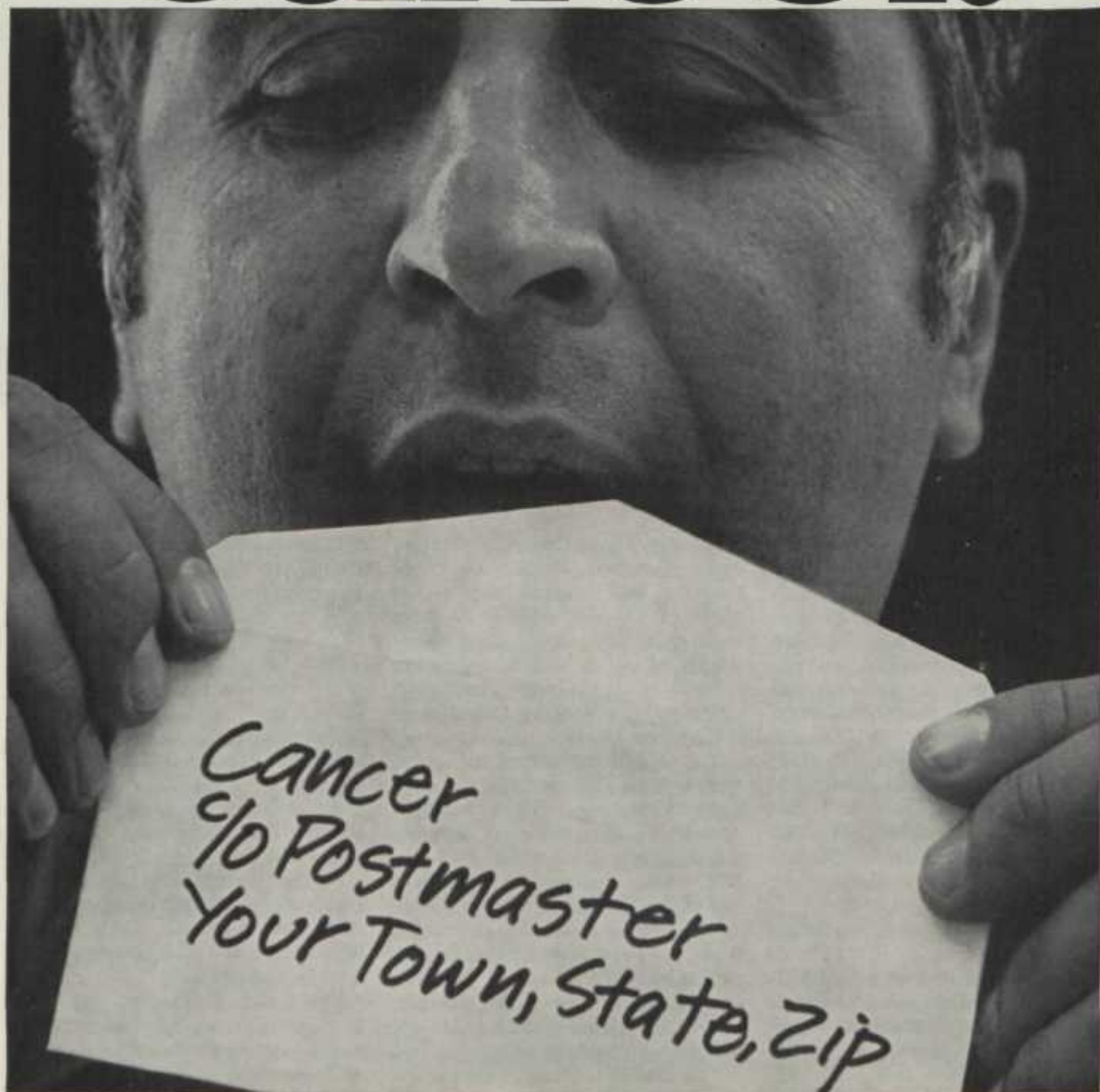
our ground on the 'non-negotiable' points. We are seeing to it that the American businessmen who will deal with the Russians are not going to be put at a disadvantage.

"We have been slogging through negotiations with the Russians, but not slugging.

"When no big announcements were made last summer and in the early autumn on agreements on various points, a lot of people forgot that we and the Russians are two very different peoples. Dealing with them isn't like dealing with the British, Dutch, Germans or Canadians. We share few traditions and customs, little history and no business processes or legal systems."

The Soviet Union had one asset in such bilateral dealings between nations—experience—that the United States lacked. The Soviets have bilateral trade agreements with 90 countries, while bilaterals for the United States are new. Patolichev,

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The Curtain Rises

continued

incidentally, negotiated almost all those Russian agreements. Americans who expected a quickly written, far-reaching, detailed trade pact might have remembered that the Soviets and Americans negotiated in exquisite detail for two and a half years before the Strategic Arms Limitations Talks (SALT) produced agreement earlier this year. Or that in the 1950s the Soviets argued, shouted, threatened and tried to bulldoze past the Western Allies in negotiations over a five-year period, before suddenly one weekend agreeing on the Austrian State Treaty, now an East-West relations bench mark.

What obstacles have been dealt with in the trade talks?

Foremost has been how much money the Soviets would pay for U.S. lend-lease aid in World War II—a problem of such importance that agreement on other points was contingent on a settlement.

Lend-lease involved several billion dollars, the exact amount depending on what and how you count. No one expected full payment.

Henry Kissinger, the President's foreign policy adviser, went to Moscow in mid-September to meet with Chairman Brezhnev on the matter.

Ultimately, an accord signed in Washington Oct. 18 called for Russian payment of \$722 million in installments before the year 2001.

Russians still claim this debt really was paid with millions of Russian lives and by holding off the Nazis until America got into the war. It was not by chance that soon after Mr. Peterson and a large group of Mr. Peterson's aides arrived in Russia on a negotiation trip last July they were shown the graves of 400,000 Leningrad citizens who died in the war.

Secretary Peterson said later: "Until this old debt was settled it didn't seem appropriate to talk about issuing new credits under a trade agreement."

Seeking our favor

Until agreement on lend-lease, the United States was firm against giving Russia most favored nation trading status.

Simply stated, a country granted MFN status by the United States has assurance that the U.S. will give no other nation a better trade deal.



Secretary Peterson, a former head of Bell & Howell Co., knew the correct questions to ask when Soviet Minister Patolichev (right) took him to the "Elektro '72" exhibition during talks in Moscow. Several American firms displayed wares at the trade show.

Such action is reciprocal and requires Congressional approval.

Immediately after the lend-lease accord was signed, President Nixon announced he would ask for that approval early next year.

One reason the Soviets—who have traditionally treated their trading partners in any manner they could get away with—want the MFN designation is for prestige among other communist nations. The U.S. already has extended MFN to Poland and Yugoslavia.

Other points at issue also have been settled in the Peterson-Patolichev negotiations. The trade agreement:

- Provides for setting up government-sponsored commercial offices in Moscow and Washington to speed the work of businessmen and government trade officials.
- Calls for the Soviets to permit numerous American companies with dealings in Russia to set up their own private offices in Moscow.
- Requires the Soviets to improve living and working conditions for U.S. businessmen in Moscow by constructing a large office-hotel-apartment trade center. American companies, led by Holiday Inns, are expected to have a hand in operating the trade mart.
- Calls for third countries to arbitrate disagreements between Soviet trading organizations and American companies—if the disputants so desire—in both the United States and the Soviet Union.

Earlier, one big hurdle was cleared

when a shipping agreement was reached. One third of materials involved in U.S.-Russian trade will be carried in American vessels, one third in Soviet ships and the rest in other countries' vessels.

With the Soviets, everything has to be hammered out in detail. They trust no one, and when anyone tends to accept their word they look upon him as a fool or a softie.

One fact never denied by Americans or Soviets is that for many years the United States is going to run a sizable trade balance in its favor with the Soviet Union. This is due to the simple truth that the United States, with its trillion dollar GNP, has more items that the Soviets want than the Soviets, with their \$500 billion GNP, have that we want.

What do the Soviets have that we want?

Their treasure chest is filled to overflowing with natural resources including copper, platinum, nickel, palladium, chromium and timber.

New oil or gas strikes come almost every month in the Tyumen fields of western Siberia.

Apparently the earth for miles around practically floats on an underground sea of oil.

With the U.S. energy shortage worsening, these supplies of oil and gas beckon attractively. Getting them from the ground and to America will cost billions of dollars.

"Nothing so large has been tried before in world trade," Secretary Peterson says, pointing out that costs



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The Curtain Rises

continued

of a couple of U.S.-Russian deals could more than equal the entire lending capacity of the Export-Import Bank, which is roughly \$4 billion.

What they want

What do we have that the Soviets want?

All sorts of consumer and industrial products. There are numerous opportunities for American firms to do enormous business with the Soviet trading organizations.

In particular, the Soviets are interested in computers and other electronic devices; papermaking machinery; oil and gas exploration, extraction, refining and transmission equipment and processes; metallurgical plants; water supply equipment; telecommunications; mining equipment; construction machinery; chemicals; medical supplies and textiles.

Russians have a love affair with vending machines, but none of theirs are as attractive or efficient as American machines, which certainly would appeal to them.

Also, packaging in Russia is nothing like ours; it often takes the simple form of a clerk's wrapping whatever it is you bought in a piece of yesterday's newspaper.

Nor have the Russians reached our standards of cleanliness; you can drink Leningrad water from the tap, but not Moscow water unless you are willing to risk illness.

Russians form queues a half-block long for a nonalcoholic drink called "Khas." The beverage typically comes from a scarred vending machine at which one glass is provided for all. On any given day a thousand Russians will use the same unwashed glass.

Imagine how popular American paper cups would be.

Soviet shoes are expensive, poorly designed and shoddily made. Compared with American shoes they look like paperboard.

Soviet women present no beauty challenge to American women. Little of the help from cosmetics, hairdressing devices, stylish clothes and slimming machines that abounds in America is available in the U.S.S.R.

Soviet cars and trucks are so inferior to U.S. vehicles that were a Russian Ralph Nader to come along



U.S. trade negotiators were given treatment as royal as a communist government can provide when they opened talks in July. While visiting Leningrad the Americans were taken on a tour aboard a huge hydrofoil.

he would not know where to begin.

Russians yearn for shining, modern American kitchen equipment. During the recent Elektro '72 exhibition at Sokolniki Park outside Moscow several apparently well-heeled Russians tried to buy the whole General Electric Co. kitchen exhibit.

After 35 years of rigid controls, the communist masters of the Soviet Union still have not learned the technique of building good housing on a huge scale. This has been an even greater flop for their system than the more publicized failure to grow enough wheat and other grains in their "virgin lands." American construction techniques and equipment enjoy a tremendous sales potential in Russia.

Opportunities for American companies to invest time, money and technology in Russian heavy industry are uncounted.

The Kama River truck project in the Tartar Republic—which eventually will be one and a half times the size of Ford's biggest truck plant—will initially involve well over \$1 billion in equipment and buildings.

American firms already are getting portions of the work—Swindell-Dressler of Pittsburgh, for example, has a \$10 million contract to design the foundry—and several U.S. companies are going after the main \$400 million contract.

Reciprocity, Moscow-style

Trials and tribulations await the American businessman dealing with Russians—both on a personal and professional basis.

Although Swindell-Dressler is well along in designing the Kama River foundry, not a single Swindell-Dressler representative has been allowed on the project site. The Soviets, however, took advantage of American openness and had 30 technicians in Pittsburgh for weeks while the foundry designing was getting under way. Probably, more than 200 Russians will have worked in Pittsburgh before the job is finished.

This is hardly the reciprocity on which the Russians are always insisting.

Pan American World Airways spent two years getting permission to install a telex machine in its inadequate Moscow office located at the end of a dreary second floor corridor in the Metropole Hotel. Meanwhile, Aeroflot, the Soviet airline, has a sumptuous, sidewalk-level office near Park Ave. in New York.

United Press International got permission to install a telephoto transmitter just before President Nixon's Moscow visit. As soon as the President departed, further use of the transmitter was denied. For picture sending, UPI must work through the Soviets' Tass news agency. Although reciprocity is supposed to prevail, Tass sends pictures to Moscow directly via portable transmitters from almost any telephone in the United States.

F.L. Enockson, of the Onan division of Studebaker Corp., displayed and tried to sell large and small generators at the Elektro '72 exhibition. Some of his equipment required 60 days to travel the relatively short distance from the Baltic port

of Gdansk to Moscow. Half reached Moscow after the exhibition was under way and he never managed to show it.

Living quarters of all Americans in the Soviet Union are regularly searched and bugged. Mail is spot-censored and phone calls are almost regularly monitored.

American businessmen are going to find inconsistencies and unevenness in dealings with Russians. They can't just walk into a Soviet government ministry or trading company office and do business. Usually they must wait to be summoned—which may take three or four weeks or longer. Even though they have a product or process the Soviets chafe to get, they may wait just as long as if they were trying to sell something the Soviets weren't keen about. On the other hand, occasionally they are met at the airport and treated with great deference, and their transactions are handled without inordinate delay.

The best advice for an American businessman going to Moscow is to expect to stay for many weeks; take some good books to read; have a car, interpreter and hotel assigned through Intourist, the government tourist agency; have the name, phone number and address of the Soviet trade official he wants to see.

The Reds' red tape

Russians are great buck-passers; they are terrified of making decisions. Often, underlings are afraid even to pass information—particularly, bad news—along to superiors. And, Russians will not deviate one whit from written instructions.

One stumbling block in early negotiations between the Peterson and Patolichev teams was a lack of full instructions for the Soviets. It seems that when President Nixon met with Chairman Brezhnev they did not hammer out detailed instructions, but merely agreed negotiations should get under way. This did not hinder the Americans, but for days Russian negotiators were afraid to move forward in talks.

There's no such thing as going to Aeroflot and buying a ticket to Leningrad, Kiev or any other city. First you have to see Intourist to

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Russia: The Curtain Rises on a New Trade Era *continued*

get a hotel room assignment in the city to which you wish to travel. This can take days due to red tape and shortages of space in hotels and on planes and trains.

Huge areas, covering more territory than the United States, are still tightly closed to foreign travelers. (Of course the United States in turn has closed large sections to Soviet travelers. This is one case where reciprocity seems to have penalized equally.)

Queues form for everything—for ballet tickets, the opera, fun rides and bowling in Gorki Park, meat and bread in the Gum Department Store grocery and even drinks in bars.

In recent years, the Soviets have opened "foreign currency" shops and bars where only Western currency can be spent. This has improved the availability of food and other items for Westerners with hard money to spend. But many items commonplace at home are still scarce and the ruble exchange rate of \$1.24 is totally unrealistic.

Many old Moscow hands say the oft-repeated claim that Russians like Americans is not true. Most Russians are afraid to show fondness for any foreigner, least of all Americans. There are deep-seated animosities on both sides, animosities engendered by decades of distrust, propaganda and conflicting aims.

Workmen, taxi drivers, secretarial helpers, translators, and minor bureaucrats tend to be little interested in their jobs and not as efficient as they are in Western nations. They don't have to be, for they will be sustained by the government whether or not they do their work well.

In the important field of personal housing, past experience indicates American businessmen are likely to be bitterly disappointed—despite the steps the trade pact calls for.

Several U.S. companies have been promised apartments would be available for their representatives in Moscow. The Russians have kept few of these promises. Foreign businessmen and their families have lived in small hotel rooms for up to three years while waiting for space.

The only U.S. firms permanently represented in the Soviet Union by

Americans are Pan American World Airways, American Express, Swindell-Dressler, Occidental Petroleum Corp. and various news organizations.

American companies at one stage or another in dickering with Soviet authorities for business or to base officials in Moscow include: Tenneco; Reynolds Metals; Kaiser; J.I. Case; Brown & Root; Hewlett-Packard; Litton Industries; General Electric; Holiday Inns; Caterpillar Tractor; International Systems; Pennsylvania Engineering Corp.; SATRA Corp.; Alliance Tool & Die Corp.; Atlas Fabricators, Inc.; Gulf & Western Industries' E.W. Bliss division; Gleason Works; Cross Co.; International Harvester; El Paso Natural Gas; and Texas Eastern Transmission Corp.

Mission for Sargent Shriver

Holiday Inns is so anxious to set up motels in the Soviet Union and the huge trade mart previously mentioned that it hired Sargent Shriver to go to Moscow in its behalf in hopes he could help open doors. He made the trip shortly before he was selected as Democratic Vice Presidential candidate.

While Americans have been kept waiting in Russia, Soviet organizations have moved into whatever kind of space they wanted in this country.

Secretary Peterson realized from the start of talks that this could be a sticking point. "If one is really going to foresee a substantial expansion in commerce," he says, "it will be necessary for American companies to have access to appropriate living quarters, offices, communications facilities and travel facilities, and to be able to see appropriate people in the Soviet government."

Despite obstacles, however, there was determination both in Washington and Moscow not to let the trade negotiations fail.

The Soviets unhappily recall 1960 when Gary Powers was shot down on his U-2 spy flight over their territory. Nikita Khrushchev overreacted, the Soviets now admit. He accused President Eisenhower of perfidious behavior, and forced cancellation of an Eisenhower state visit which would have been in return for Khrushchev's visit to the United States in 1959. A prime reason for Ike's going to Mos-

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cow was to inaugurate trade talks, just as President Nixon was to do 12 years later. During the negotiations this fall, Secretary Peterson and private U.S. financial houses were devising ways of raising the money that will be needed to finance and guarantee the various deals.

In addition to Export-Import Bank guarantees, huge sums must be raised to finance other deals. Most of them will come from private investors in the United States and other non-communist countries. Washington officials and American bankers and securities dealers say the vehicle will be bond issues of a magnitude rarely before underwritten.

Goldman, Sachs & Co., the prestigious Wall Street concern, recently opened a major Washington office which is expected to deal heavily in these issues. Goldman, Sachs sent representatives to Moscow last summer to begin preliminary arrangements for underwriting ventures.

Multinational ventures

It is anticipated that the bonds will be offered to institutional and individual investors not just in the U.S. but throughout the noncommunist world, because it would be difficult raising the needed sums in any single nation—even one as rich as ours.

Also, other nations would share in products coming out of the Soviet Union—particularly, gas and oil—and firms in those nations would perform a share of the work.

There already have been American-Japanese talks on methods of raising some of the necessary funds.

During the 1960s, the Japanese met time and again with the Soviets to arrange for big construction projects and mineral extraction. The Japanese actually have performed work on a few projects, but several were canceled before they got under way. One big reason was that the effort was too much for one country.

Other nations beside Japan and the United States have plans for exploration and development in the Soviet Union. The British are moving in briskly; the London government put out a \$500 million line of credit for British companies to use in separate deals with the Russians.

Making governmental lines of

credit available is a favorite British tactic in international trade, but is not favored by the United States. Secretary Peterson says the U.S. prefers to set policy, help arrange overall plans, and then let individual American companies step in and make actual deals.

The Soviet government, on the other hand, goes the whole route—making contacts, negotiating, arranging financing, setting policy, subsequently running all the separate ventures, and finally selling or disposing of the end products.

Russia has little hard Western currency, which is the only kind of money Westerners will accept in payment of loans and for work performed. The Russian ruble, of course, is nonconvertible.

But two ways the Soviets will repay loans are obvious.

- First, they will turn over to Westerners huge portions of the output of factories, mines and wells involved in various deals.

This could bring such products as Soviet trucks and cars, cameras, processed foodstuffs, lumber, ores and furs into world commerce in large quantities, but the two main items which will be used to pay off debts will be oil, and liquefied natural gas. Oil and gas may be sent in pipelines to Soviet ports and then shipped in special tankers to Europe and to both the U.S. East and West Coasts—which accounts for so much attention being paid to shipping arrangements in the trade talks.

Such barter arrangements are already in the works.

Occidental Petroleum Corp. has spent months negotiating a 20-year agreement under which it would sell the Soviets fertilizer chemicals potentially worth \$3 billion in return for Soviet ammonia and urea—natural gas by-products used in making fertilizers.

Earlier, Occidental announced a \$120 million, five-year agreement to supply metal-processing tools and chemicals for Soviet auto and truck plants. That, too, was a barter arrangement, with Occidental receiving about 10,000 tons of nickel yearly.

- Second, the Soviets will be called on to share advanced technology they have developed.

They are among the world's best at transmitting very high voltage over very long distances and in constructing large blast furnaces. They also are rated highly on an electroslag remelting process for producing high quality steel, and on plasma arc furnaces used in production of high quality alloy steels and other metals.

One firm, Reynolds Metals Co., has announced purchase from the Soviets of machinery for electromagnetic aluminum ingot casting.

Backlash coming?

Many items needed to carry out projects in the Soviet Union are going to be on American and NATO embargo lists.

Americans needing these are going to find that getting them off the lists will be difficult.

Despite the processes, resources, money and machinery that the Soviets can send to the United States, opposition to dealing with them is certain to develop in this country.

Many Senators have already threatened to fight the trade agreement unless the Russians stop extracting large sums from Soviet Jews before allowing them to emigrate to Israel.

Nixon Administration officials think such obstacles can be surmounted. They are convinced that the United States, with its balance of payments heavily in deficit, must increase exports as well as assure itself of regular supplies of oil, gas and ores.

Perhaps one of the best indications of thinking in Washington is in a statement by Secretary Peterson:

"The U.S. competitive spirit is suffering from middle-age spread while the rest of the world has grown strong and sinewy. Rather than lamenting the emergence of foreign competition, however, we should welcome it.

"We need lean and hungry challenges to jolt us out of our complacency, to sharpen our own dull edges. If we try to retrench by entrenching ourselves behind protective tariffs and quotas, we will not only penalize our competitors but will ultimately weaken ourselves."

END

Home fixers in Washington include Sens. Barry Goldwater (particularly adept at plumbing), Edmund Muskie (general carpentry) and Hubert Humphrey (window and screen repair).



Do-It-Yourself Is Big Business

Give that home handyman a big hand, say his suppliers; with or without the "lumberyard smell," they're riding a crest of prosperity

Dr. Joseph D. Coffey, a department head at Virginia Polytechnic Institute, makes furniture for his home in Blacksburg, Va.

Sheldon Kaplan, president of a multinational corporation based in Portland, Ore., likes to build cabinets in his spare time.

Dr. Charles H. Wolfe, an East Petersburg, Pa., dentist, is no slouch at tiling bathrooms.

They, and millions like them, are "do-it-yourselfers," a swelling legion who spend billions each year to happily fix, build, paint, assemble.

No one really knows just how much they do spend but there is ample evidence that the do-it-yourself field is one of the fastest growing "big" businesses.

The Census Bureau puts a price tag of \$16.3 billion on upkeep and improvement of residential property in 1971, with \$9.9 billion going for additions, alterations and major replacements.

Corporate statisticians' estimates of annual sales by the nation's 86,000 building supply and hardware dealers range from \$18 billion to \$22 billion.

And the National Home Improvement Council, Inc., says that probably over 70 per cent of home maintenance and improvement jobs, such as paneling walls, laying tile and installing switches, are done by resident handymen.

Do-it-yourselfers do more than jobs of this type—they do just about everything. Women spend some \$2 billion annually on fabrics and it's estimated that one out of every four items of apparel is sewn in the home.

Primary cause for the do-it-yourself boom is economic: the high hourly charges of skilled craftsmen such as carpenters, plumbers and electricians, and the relative scarcity of

these workers. But a good secondary reason is the simple pleasure people get from doing things themselves.

All sorts of people.

Retired Air Force Chief of Staff Curtis E. LeMay, now living in Newport Beach, Calif., started hobby shops on Air Force bases and has been a do-it-yourselfer for years, numbering among his projects stereo speaker cabinets for his friend, radio and TV personality Arthur Godfrey.

"I always get a lot of relaxation using my hands," he says.

H.I. Romnes, before he retired as chairman of the board of AT&T, used to slip away on weekends to put shelves in his mountain cottage.

A canvas of building supply stores in the Boston area turns up such customers as TV sportscaster Curt Gowdy, former star Bill Russell of pro basketball's Celtics and Red Sox ace infielder Carl Yastrzemski. A past customer was Sir Edmund Hillary, one of the conquerors of Mt. Everest, who was a "regular" while employed as a consultant to a U.S. Army laboratory in nearby Natick.

In the nation's capital, Sens. Hubert Humphrey, Edmund Muskie and Barry Goldwater are among well-known customers of a building supply chain.

Fog-voiced bandleader Vaughn Monroe is a confirmed do-it-yourselfer around his Stuart, Fla., home. Quips Mrs. Monroe: "I call him my expensive handyman."

And Apollo 16 Astronaut Thomas K. Mattingly does some down-to-earth puttering and painting when he's home in Houston.

"Home improvement," asserts an executive who has scored successes in the do-it-yourself field, "improves the quality of life for Americans."

That was the objective of Joe and

Eloise Coffey when they moved into a three-bedroom home in Fairfax County, Va., in 1969. (Dr. Coffey, who only recently signed on at VPI, was then a government economist in nearby Washington, D.C.)

With three young sons, another bedroom was needed. And Dr. Coffey had plenty of space in an unfinished basement. Calling on professionals only for electrical wiring, he built that fourth bedroom, added a recreation room, den, utility room and hall, repainted and wallpapered the upstairs, and fenced his large yard.

The thousands of dollars he saved—"I couldn't have afforded it otherwise," he says—led to his current furniture-making efforts.

Mr. Kaplan's financial situation, it's likely, is different. He's president of Evans Products Co., one of the giants in the lumber and building materials industry. But after moving into a home in Portland he built cabinets, installed an intercom, laid floor tile, even built an additional room. He enjoyed the work, he says, and "it was less expensive that way."

Dr. Wolfe waited nearly a year for a carpenter to build promised bookcases, and finally tackled the job himself. He graduated to tiling bathrooms and paneling other rooms, and then topped it all off by building a barn.

There is many a similar story among the swarms of homeowners who descend upon building supply and hardware stores.

Big spenders

They're heavy spenders.

According to a 1968 survey conducted for the National Lumber and Building Material Dealers Association, "over-the-counter sales," primarily to do-it-yourselfers, were As-

Do-It-Yourself Is Big Business *continued*

sociation members' second most important market, accounting for 21 per cent of all their volume. Residential builders led with 35 per cent.

Volume breakdowns for stores aiming for over-the-counter sales typically indicate about a 60-40 ratio in favor of the retail customer. Forty-five per cent of the do-it-yourself dollar goes for wood building materials; 30 per cent for nonwood building materials; 11 per cent for appliances and other nonconstruction items; 9 per cent for plumbing, heating and electrical items; and 5 per cent for paint and floor coverings.

The paint industry is a prime example of the swing toward the homeowner customer. It's estimated that prior to World War II over 65 per cent of all paint was bought by professional painters. Now that's reversed; sales are dominated by the homeowner.

Not unexpectedly, many retailers are calling their establishments "home improvement centers and garden shops," and are stocking TV's and stereos, refrigerators and dishwashers, boats and motors, and even automotive supplies along with the lumber, tools and other building supplies.

The chains have been riding the crest of the home do-it-yourself wave, applying discount and supermarket merchandising methods to a field once the province of placid lumberyards and hardware stores.

Six major chains, operating some 650 outlets, last year grossed around \$930 million.

"The hottest business"

"We're the hottest business in America," says Maurice "Mike" Grossman, president of Evans Products' retail division, which operates 170 retail lumber and building supply outlets in 18 Northeastern and Southern states.

"The consumer end of the business represents exciting opportunities for us," comments John V. Drum, executive vice president of The Wickes Corp., which has 250 outlets.

"We are bullish about our continued business prospects," reports Edwin Duncan, board chairman of 78-store Lowe's Companies, Inc.

Changing life-styles have been a

factor, Mr. Grossman notes. A few years ago it wasn't considered good form in some neighborhoods for a homeowner to drive in with a load of building materials roped to the roof of the family sedan or dangling off the tailgate of the station wagon. Now, it's kind of "status."

But the big reason has been the shortage of craftsmen and "I don't

painters and paperhangers, 105,000 plumbers and pipefitters, 25,000 roofers, and 80,000 craftsmen who are brickmasons, plasterers or have similar skills.

In 1950 the average hourly wage in contract construction was \$1.86 and the average for all private industry was \$1.77. By 1960, the craftsmen were receiving \$3.08 an hour, while



It used to be bad form in the swankier neighborhoods to carry building materials home in the family car, but now it's the "in thing" to do as rich and poor alike swell the boom in the do-it-yourself industry.

believe it!" hourly wage scales fostered by craft unions.

The Bureau of Labor Statistics reports there were 10,000 fewer carpenters and 35,000 fewer painters and paperhangers in 1970 than in 1960. On the plus side there were 35,000 more electricians, 20,000 plumbers and pipefitters and 10,000 roofers and slaters. The number of brickmasons and tile setters remained about the same—but still not enough.

By 1980, BLS estimates, another 345,000 carpenters will be needed, plus 120,000 electricians, 155,000

the overall private industry figure was \$2.61. The disparity widened in the years that followed, so that today the construction average is \$5.98 compared to \$3.54 for all of industry.

"The average guy making \$3.50 an hour chokes on the idea of paying some other guy \$15 an hour for doing something he can do himself," says Clark A. Johnson, a senior vice president of The Wickes Corp.

Beans and building supplies

Wickes, an old-line manufacturer of boilers and machine tools, got into do-it-yourself retailing in 1950 when

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Do It Yourself Is Big Business *continued*

it acquired Charles Wolohan, Inc., a major processor of beans and grain located in Birch Run, Mich.

In the package were five small lumberyards and Joseph S. McMullen, a Wolohan employee who had the idea that building supplies could be merchandised like groceries in a supermarket. Given \$15,000 and a go-ahead, Mr. McMullen proved his point, starting do-it-yourself selling in the lumberyards and then opening other outlets. Sales increased dramatically—from \$31.3 million in 1952 to \$190.5 million 10 years later.

Mr. McMullen retired in 1962, but the momentum remained. In 1964 there were 49 outlets and at the end of this year the firm expects to have 250 stores in 33 states and five in Europe.

Wickes stepped into the European market in 1971, opening a store in Breda, The Netherlands, followed by stores in three other Dutch cities—Utrecht, Helmond and The Hague.

According to Mr. Johnson, sales have met expectations in the Dutch ventures, which are stocked with European products, and the firm plans to open outlets in other Common Market countries in the next year.

Do-it-yourselfism, Wickes officials feel, stands in Europe today where it did in America in the early '50s.

With lumber, building supply and forest product sales at \$333.6 million in 1971, The Wickes Corp., headquartered in Saginaw, Mich., is the leader in the industry. In second place is Evans Products Co., with \$186 million, followed closely by Lowe's Companies, with \$170 million. Lowe's, which is based in North Wilkesboro, N.C., operates in 12 states, primarily in the Southeast.

"Into the warehouse"

Evans Products' goal, says Mr. Kaplan, is to become the nation's top marketer of building materials. It got into the retail field through acquisition of the 20-store Moore's Super Stores, Inc., chain in 1965 and the 79-store L. Grossman Sons, Inc., chain in 1969.

Under Mike Grossman, Evans' retail division has been growing rapidly. Twenty-six new retail locations were added last year, and 20 to 25 are expected to be added each year

from now on. Mr. Grossman says "we're going coast-to-coast," and adds that he's looking at overseas prospects too.

The third generation merchandiser's family started "one-stop" building material service during the Depression. After World War II it gained attention with build-it-yourself and do-it-yourself programs. It opened its first "cash and carry" store in 1962, with the emphasis on economy rather than service. Large volume and fast turnover were musts.

"We decided to copy the discounters," Mr. Grossman recalls. "We said, 'Let's act as if it's a can of peas instead of a two-by-four.'"

Once constructor-oriented, the firm has made do-it-yourselfers its "bread and butter," he says, with 60 per cent of sales in this category. Part of the reason for the firm's success in doing so, Mr. Grossman believes, is its decision to let the American male "come into the warehouse."

And the company zeroed in on the American woman, he adds, by recognizing the nationwide popularity of home shows. "We design our newer stores to be permanent home shows," he says.

However, Mr. Grossman worries that stores so appealing to women might lose some of their appeal for men because they no longer have that "lumberyard smell." He's developing a synthetic perfume.

"Might be pine one week, cedar the next," he muses with a smile.

Grossman's once bought up lumberyards to gain new sites, but its site selection has become more scientific, as it has turned to such techniques as marketing surveys. The firm has opened its first "mini-store" and it's watching results. Wickes also operates smaller outlets.

Depending on size and shopping area, some standard-size do-it-yourself stores gross up to \$6 million annually. On the average, grosses are \$1-2 million.

Not only the suburbs

Contrary to popular belief, the do-it-yourself-type store is not solely a suburban shopping center phenomenon. Most of the Evans stores—whether Grossman's or Moore's—are in smaller cities and towns. The

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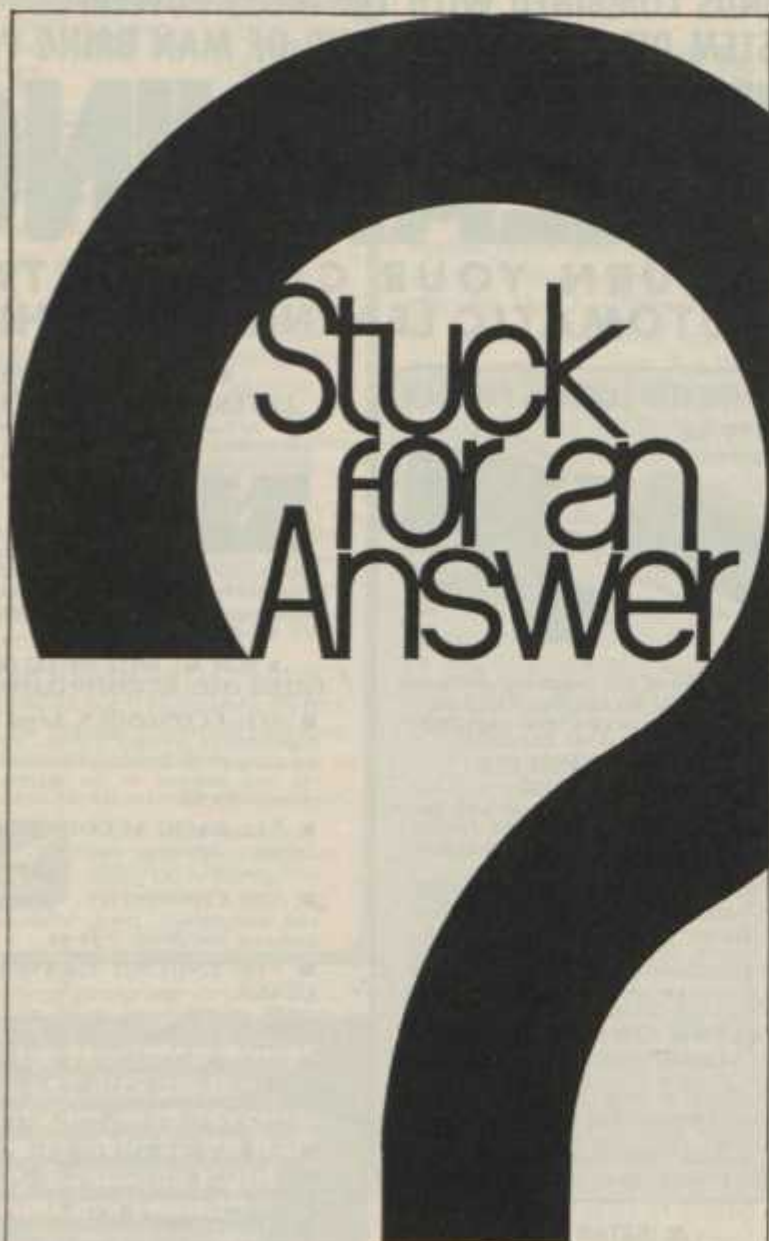
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Pointers
For
Progress
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Do It Yourself *continued*

smallest is Eastport, Maine (population 1,989).

But several years ago Grossman's opened in a downtown Boston location on the premise that customers would shop during their lunch hour and the firm's nearest store would deliver purchases to their homes.

"A flop," Mr. Grossman recalls. "One of the keys to this marketing concept is that we're bringing the lumberyard to the shopping center."

He calls his retail business "gilt-edged" because it is able to withstand cyclical changes in the economy. This was obvious, he says, during the '30s, and more recently in the 1970-71 recession. Last year, Evans' retail sales increased by 27 per cent.

Industry executives generally agree on a growing universality of consumer tastes. Stocking of stores (normally about 10,000 items) is becoming more standardized, because of lessened regional differences, and also due to the common desires of people in different economic levels.

Mr. Grossman cites as an example practically identical buying habits in Quincy, Mass., where there is a heavy concentration of blue collar shipyard workers, and Wellesley, Mass., a white collar Boston suburb heavily peopled with academic, scientific and managerial types.

The "cash-and-carry" concept so popular a few years ago is now "credit-card-and-we'll-deliver" in many areas. For Hechinger Co., Inc., a seven-store chain in the Washington, D.C., area that calls itself "the world's most unusual lumberyard" and sells many a non-do-it-yourself item, the credit aspect produced a near-disaster in the early 1960s.

A woman who identified herself as Mrs. John F. Kennedy phoned in an order for a swing set to be delivered to the residence of "J.F. Kennedy, 1600 Pennsylvania Ave."

A credit department clerk, running a routine check, turned the order down because there wasn't an account under that name. But an alert supervisor reversed the decision.

Not everyone, of course, has a President for a customer, but the building and supply business has come a long way from the aromatic lumberyard that was privileged terrain only for the professional. **END**

Federal Express announces a new air cargo system that isn't ours.

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Most volume shippers are handicapped by an air cargo system based on the movement of airline passengers. The routes, terminals and airplanes were designed for people, not air cargo.

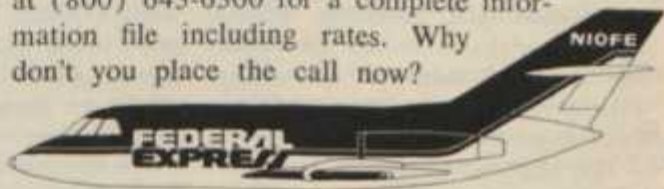
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New Wrinkles in Robots

The visitor to Elmbrook Memorial Hospital in Brookfield, Wisc., was watching idly as a passenger elevator door opened on the third floor. Suddenly his eyes widened in amazement.

Out rolled a small cart bearing trays of medicines, towels and hot lunches.

What was more startling, the cart was a robot. No human hand pushed it, and nobody hovered about with a remote control gadget to operate it.

The visitor's astonishment grew as he watched the cart roll to a stop in front of a nurse. She swiftly removed the trays and replaced them with dirty ones. The cart then promptly moved down the hall and into a "shower" room, where it washed and dried itself and its contents.

The Mini-Cart, as it is known, is one of the latest and more glamorous robots used today in the handling of materials. It is manufactured by a subsidiary of our company, and I believe it is symbolic of the extraordinary advances of materials handling technology in the last few years.

Not too long ago, the idea of a driverless cart carrying supplies in the busy corridors of a hospital seemed like something out of the Twenty-first Century. Today the Mini-Cart—and a host of other ingeniously designed vehicles—belong to a growing armada of robots operating in industry and institutions.

You can find them wending their purposeful way for miles through warehouses and assembly plants, carrying products through the numerous steps of industrial processing. They save industry millions of dollars through greater efficiency.

The importance of this trend to—

JERVIS C. WEBB, author of this article, is president of the Jervis B. Webb Co., Detroit.

Shaw



ward automatic materials handling is clear. Today, 80 per cent of the cost of making a good many products goes into trucking, conveying and warehousing. Yet none of these operations adds anything to the intrinsic value of the product. Efficient materials handling, in my opinion, is the last frontier for major advances in industrial productivity.

To see how the new robots work and how they are ushering in this new era of productivity, look at them in use.

A robot tow train

In a million-square-foot General Dynamics warehouse near Ft. Worth, Texas, a tow train stands next to a high parts rack. Its battery-powered tractor—known as a PronTow—has two small trailers hitched behind.

Although there is no driver, the tractor will take off like any train—with a proud blare of its horn—as soon as the cargo is loaded on. The PronTow travels down aisles, makes 90-degree turns, occasionally buzzes angrily when an obstacle appears and stops at a station where the parts are unloaded, inspected and returned.

Then the tow is off again to the next port of call.

Five such four-wheeled machines

travel a route over a half mile long in this building, moving in and out of a dozen stations and spur lines while carrying millions of aircraft manufacturing items.

In another huge building—the General Motors Oldsmobile assembly plant in Lansing, Mich.—the little robot trains do a similar job carrying bulky automotive parts. But there are a few new gimmicks here that demonstrate their versatility.

For one, the cars are programed to automatically "call" their own elevators, so they can travel up and down three levels, picking up or discharging cargo. They then work their way unattended across a 184-foot bridge between warehouse and production buildings.

The tractors can stay on the job 16 hours at a stretch—before their batteries have to be recharged.

Follow like Fido

How do these robot cars work? There are several basic methods.

At one company, a special optical device on the bottom of the tractor focuses on a white line on the floor, thus guiding the car wherever the line leads.

In other companies, a magnetic coil is used in the robot to detect a mag-

Electronically guided tractor trains
emit sonic signals to avoid fixed
or moving objects in their paths as
they travel through an automated plant.

How

A version of a robot hospital food
cart has been developed to handle
delivery of mail and office supplies
in larger office buildings.



netic field produced by a wire embedded in the floor. The tractor steers automatically along the magnetic path, stops on signal, and is so precisely guided that it won't veer by more than a quarter inch off the track.

Some of the vehicles use radar-like eyes to stop automatically when an obstacle crosses the path.

In still other warehouses, tractors follow workers from bin to bin, starting and stopping like faithful dogs. They are controlled by radio transmitters attached to the workers' belts.

Robot vehicles carrying goods are only one feature of the automated warehouse operations of today. As manufacturers and distributors seek lower costs, more attention is being paid to the development of fully integrated automatic materials handling—including carrying, storing, distributing, sorting and a variety of loading and unloading techniques.

For example, at Commonwealth Industries, Inc., in Detroit, a production heat-treating job shop, a system is being constructed which will allow material to be received, inspected and placed in a computer-controlled storage and retrieval machine 200 by 20 by 40 feet high. Heat treating requires different furnace temperatures and process variables.

When the furnace is ready for a specific tub of parts, the computer finds it in one of some 630 pigeonholes, dispatches a carriage down an aisle to retrieve it, transports the tub to the end of the furnace and dumps the parts in. Then the empty tub goes to the other end of the long furnace and waits for the parts to come out. Full again, it automatically returns the parts to storage until they are shipped out.

The automatic stocker

In another location, the Southern fashion distribution warehouse for one of the nation's largest retail chains, the conveyors start up when a customer buys a dress. Half of the price tag is returned to the distribution center.

The tags are used to determine popularity of items and needs for restocking.

On a typical day, 140,000 items are processed and shipped out to several hundred stores in the South.

Materials handling is, of course, one of man's oldest industries. The classic picture of Egyptian slaves carting blocks of stone uphill to build the pyramids depicts one of the earliest examples.

With the industrial revolution and

advent of mass production, carrying devices became mechanical.

Among inventions that made modern industry possible was the chain conveyor, which was introduced in the 1900s. Without it, the auto industry, as we know it, could not have been launched.

My father was one of the pioneers who introduced the chain conveyor into the auto business. Its first use was on the assembly line of the old Studebaker Co. in Detroit. This special chain was later adopted by Ford and others in the business and became the backbone of the Jervis B. Webb Co.

As an industry, materials handling grew slowly until World War II, when the vast quantities of military material had to be manufactured, packaged and distributed quickly.

After the war, mechanization in materials handling continued to zoom in civilian applications. Systems were developed that ranged from carrying fragile oyster shells measured in ounces to moving 16,000-pound truck chassis. The largest production conveyor system in the world was built by our company for Ford's casting center at Flat Rock, Mich. It uses about 14 miles of conveyor.

Materials handling has had tremendous impact on business, often spelling the difference between success and failure. This applies to small businesses as well. Coppercraft Guild Co., a Taunton, Mass., producer of decorative metal products, used to fill 100 orders a day with 12 to 14 workers. Now filling 500 to 600 orders a day is routine, with the help of only eight employees—all the result of using a conveyor system.

The computer steps in

In the last few years the widespread use of the computer has given a new dimension to materials handling.

In 1965 our engineers built the first computer-controlled material handling system for Chevrolet at Bay City, Mich. The plant produced over 100 different parts from door handles to grillwork. As the number of different parts increased so did the number of process variables—and the old trolley

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New Wrinkles in Robots *continued*

conveyors became less and less useful.

The computer changed the operation completely. It controlled the individual hooks that hold the different parts and directed them to the various chemical and plating tanks. It also kept track of inventory, told management when a part might fail and signaled the need for specific maintenance.

The most spectacular computer-handling system was installed last year at another Chevrolet plant, one at Buffalo, N.Y. Here they make 66 different types of rear axles, for every kind of Chevrolet vehicle from a "muscle car" to a station wagon.

As the axles take shape, they are placed on conveyor hooks and given an identification code which the computer can read. From then on, every time an inspector calls for another operation to be performed, the computer directs the axle to the correct station. Toward the end of the process, the axles are all painted black and the computer begins assigning the six shipping lines six particular axle models. The other 60 axles are allowed to circulate until the computer changes one of the shipping line axle designations.

Is it for you?

Whether a businessman can incorporate an automatic system into his operations depends on his rate of turnover, annual sales volume, number of items handled and the adaptability of the product to unit handling. In most warehousing operations, 20 per cent of the items handled account for 80 per cent of the volume of movement, and automation may be most beneficial to a company when it fits only a part of the entire operation.

In addition to economics, the materials handling engineer must be flexible in his choice of system to apply and must be innovative in devising new automated methods of materials handling.

Among the innovations that are looming over the horizon are new ways of fluidizing bulk commodities, so as to move dry solid products through cross-country underground pipelines.

Our company has already devised pipelines carrying clay, coffee and even chocolate inside plants. **END**

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MISSISSIPPI
State of Change

WILLIAM L. WALLER, GOVERNOR

Crystals Clear the Way for Smaller Calculators

Dynamic scattering of light by liquid crystals—a chemical phenomenon discovered in 1888 but never used commercially—has been joined with Space Age electronics to create a boom in the mini-calculator market.

Along with metal oxide semiconductors which have drastically reduced circuitry, liquid crystal and other types of compact display devices have enabled manufacturers to turn out hand-size calculators, some of which retail for less than \$100.

Dr. R.S. Carlson, president of North American Rockwell's Microelectronics subsidiary, in Anaheim, Calif., says his firm is mass producing liquid crystal displays at about half the cost of other types of numerical displays—the parts of calculators that give users visual results of their computations. And RCA is beginning mass production of liquid crystal displays at its solid state division plant in Somerville, N.J.

Liquid crystal displays are non-mechanical. Instead of gears and rollers and other gadgetry, an LCD silently flashes numbers on its glass face by electrically exciting an organic chemical compound.

Normally, the liquid crystal is clear. But when an electrical field is energized, molecules in the area pivot randomly and “scatter” light.

Basically the display consists of two glass plates bonded together, separated by a space about one third the thickness of a human hair which is filled with a transparent liquid crystal.

Neither RCA nor North American Rockwell will divulge the exact nature of the organic liquid crystals used.

Today small flashlight bulbs or light-emitting diodes illuminate the displays. But there is a heavy drain on batteries, and NR and RCA scientists are developing a new generation of LCDs to be illuminated by ordinary room or office lights or sun-

light, which will greatly extend battery operation.

The first public announcement of liquid crystal displays came at an RCA press conference held May 28, 1968.

NR claims credit for being the first to mass produce the devices. Production rose to 40,000 units a month in September. NR has a back order for over 200,000 LCDs, which it will use to produce calculators for Lloyd's Electronics, Inc., and Sears, Roebuck and Co.

RCA's interest at this stage appears to be as a supplier of liquid crystal displays and driving circuits and not in manufacturing complete calculators.

Market potential for electronic calculators is sizable. The Electronic Industries Association says world sales reached \$500 million in 1970 and are expected to rise to an annual level of \$1.2 billion in 1975; \$1.9 billion in 1980, and \$2.6 billion in 1985. By 1975, EIA predicts, U.S. domestic sales will reach \$490 million.

North American Rockwell is enthusiastic about the prospects in this country. “We think the calculator in the home will be as popular as the typewriter is today,” a company spokesman says.

NR marketing experts believe there will be a steady annual demand from U.S. business establishments for 1.5 million units. In the next three years they see additional annual demand for one million units from business executives and professional people for use in the home.

On top of that they anticipate five years of annual sales of two million units to nonexperts for home use.

Further applications for the LCDs, ranging from watches to portable industrial instruments, undoubtedly will be spurred by the high productivity already attained, which is reflected by the price per LCD digit—reportedly now slightly less than a dollar.

END

PLANT MAINTENANCE WITHOUT CONTRACTORS

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ENERGETIC OKLAHOMA

Is Everything Under Control?

Confused about some aspect of the Economic Stabilization Program? Government printing presses have been zipping off copies of publications answering questions most frequently asked about wage, price and rent controls.

Most have been put out by the Internal Revenue Service, which has distributed 12 million copies to IRS offices, trade associations, chambers of commerce, labor unions and the general public.

Three hundred sixty IRS offices stock the free publications and other

IRS offices can obtain them for you on request. In addition, there's a 15-cent Pay Board pamphlet entitled "Pay Board Wage and Salary Controls Under the Economic Stabilization Program," available through the Government Printing Office, and the Price Commission is planning a booklet specifically aimed at businesses in Category III—generally, those with less than \$50 million in annual revenues.

A list of IRS publications, the work of five specialists assigned to translate control regulations into "plain language," follows:

PRICE CONTROLS

General Information—Economic Stabilization Program
Retailers' Price Posting Requirements
Information for Retailers and Wholesalers
Price and Wage Classification
Record Keeping for Economic Stabilization
Items Not Controlled
Posting Requirements for Prescription Druggists
Legal Price Increases Under Economic Stabilization
Construction Industry Pay and Price Controls
Price Controls and Health Care Services
Economic Controls on Doctors and Dentists
Wearing Apparel Price Controls
Service Organizations and Price Controls
How to Compute Productivity Gains
Retail Price Controls
Price Controls on Wearing Apparel
Public Utility Rate Increase Controls
Restaurants and Price Controls
Low Profit Firms
Term Limit Pricing
Exemption of Small Business
Price Commission and Pay Board Public Use Forms

Publication Number

S-3002 (Rev 7-72)
S-3 (Rev 3-72)
S-3004
S-5
S-6
S-3007 (Rev 7-72)
S-3010
S-3011 (Rev 6-72)
S-3012
S-3014
S-3015
S-3016 (Rev 6-72)
S-3017
S-3020 (Rev 6-72)
S-3021 (Rev 7-72)
S-3023
S-3028
S-3031
S-3032
S-3033
S-3037
S-3043

RENT CONTROLS

Rent Guidelines
Rent-Controlled Housing
Rent Violations
Supplemental Rent Guidelines (Supplements S-3019 and S-3026)
Lease Form 5-70

S-3019
S-3025
S-3026
S-3044
S-3042

WAGE AND SALARY CONTROLS

General Information—Economic Stabilization Program
Price and Wage Classification
Construction Industry Pay and Price Controls
Retroactive Wage and Salary Increases
Executive and Variable Compensation
Exemption of Small Government Units
Exemption of Small Business
Wage and Salary Controls
Price Commission and Pay Board Public Use Forms
Supplement to Publication S-3013

S-3002 (Rev 7-72)
S-5
S-3012
S-3013
S-3029
S-3036
S-3037
S-3039
S-3043
S-3045

GENERAL

IRS Offices Providing Economic Stabilization Information
Enforcement Provisions of Economic Stabilization
IRS Ruling and Determinations—Appeal Procedures
Interest and Dividends Guidelines
Violations of Economic Stabilization Program Regulations
Appeals to Cost of Living Council, Price Commission, Pay Board
Disclosure of Information
Keeping Records for ESP
Inquiries and Determination Requests

S-3001 (Rev 6-72)
S-3008 (Rev 4-72)
S-3009
S-3022
S-3024
S-3030
S-3035
S-3040
S-3041

SPANISH LANGUAGE TRANSLATIONS

Enforcement Provisions of Economic Stabilization
Legal Price Increases Under Economic Stabilization
Retail Price Controls
Violations of Economic Stabilization Program Regulations

S-3008
S-3011
S-3021
S-3024



Executive Pay— Onus on the Bonus

Salaries are up about 7 per cent as usual, despite guidelines—but Pay Board rulings have put a crimp in incentive plans

What would Washington's wage controls do to managers' pay?

As 1972 dawned, that puzzler raised many other questions in the executive suite. For example:

Would the Pay Board slam on the brakes?

If it did, would the brakes hold?

Would the Board's rulings be fair and constructive? Or would its decisions be bureaucratic and stifling?

By now, we know the answers.

The Board has not clamped a lid on pay increases for managers. This

year, their salaries rose 7 per cent.

That's the same rate as last year—and close to the median increase for the last eight years.

But the Board has raised Cain with incentive compensation plans—put in to reward the best performers. In fact, it has made many existing plans null and void, with untold effects on executive morale and perhaps on productivity.

This is shown by Sibson & Co.'s Eighth Annual Management Compensation Study, which included more than 1,300 companies.

Last year's study showed that managers' salaries tend to move ahead at about the same annual rate, whether business is good or bad.

Lots of give in guidelines

It now appears that their salaries move ahead at about the same rate

with or without pay stabilization.

This should not be a surprise to anyone who has read Pay Board guidelines carefully. While the highly publicized guideline is 5.5 per cent, the effective rate for nonunion workers—management or nonmanagement—is really between 7 and 9 per cent—depending on what kind of pay practices the company has and how fast it is growing.

Furthermore, the regulations are very flexible about the way you group employees for purposes of salary increases.

For example, assume a company has 500 executives. Fifty are top managers whose salaries average \$30,000 a year. The rest are middle managers averaging \$15,000 yearly.

If it treats the group as a unit, the company has great flexibility in deciding who gets what. Say that sal-

ROBERT E. SIBSON, author of this article, is president of Sibson & Co., Inc., Princeton, N.J., management compensation consultants. This summary of Sibson & Co.'s Eighth Annual Management Compensation Study is published exclusively in *Nation's Business*.

Salaries of Chief Executive Officers

Table #1

Industrial Companies

Size of company
(by sales volume in millions)

		High paying industries*		Medium paying industries		Low paying industries**	
		Bonus paying firms (\$000)	Non-bonus (\$000)	Bonus paying firms (\$000)	Non-bonus (\$000)	Bonus paying firms (\$000)	Non-bonus (\$000)
\$1-5	Salary	\$ 50	\$ 56	\$ 36	\$ 43	\$ 30	\$ 30
	Bonus	21	—	11	—	7	—
Total		\$ 71	\$ 56	\$ 47	\$ 43	\$ 37	\$ 30
5-15	Salary	\$ 64	\$ 76	\$ 49	\$ 59	\$ 42	\$ 42
	Bonus	30	—	19	—	11	—
Total		\$ 94	\$ 76	\$ 68	\$ 59	\$ 53	\$ 42
15-25	Salary	\$ 75	\$ 92	\$ 57	\$ 71	\$ 50	\$ 49
	Bonus	36	—	24	—	14	—
Total		\$111	\$ 92	\$ 81	\$ 71	\$ 64	\$ 49
25-35	Salary	\$ 84	\$103	\$ 63	\$ 79	\$ 54	\$ 56
	Bonus	40	—	27	—	15	—
Total		\$124	\$103	\$ 90	\$ 79	\$ 69	\$ 56
35-50	Salary	\$ 93	\$113	\$ 70	\$ 86	\$ 59	\$ 61
	Bonus	46	—	30	—	18	—
Total		\$139	\$113	\$100	\$ 86	\$ 77	\$ 61
50-75	Salary	\$100	\$126	\$ 77	\$ 97	\$ 64	\$ 68
	Bonus	53	—	33	—	21	—
Total		\$153	\$126	\$110	\$ 97	\$ 85	\$ 68
75-125	Salary	\$107	\$142	\$ 85	\$109	\$ 72	\$ 76
	Bonus	62	—	38	—	24	—
Total		\$169	\$142	\$123	\$109	\$ 96	\$ 76
125-250	Salary	\$129	\$170	\$100	\$131	\$ 85	\$ 92
	Bonus	79	—	50	—	30	—
Total		\$208	\$170	\$150	\$131	\$115	\$ 92
250-500	Salary	\$149	\$205	\$121	\$157	\$101	\$110
	Bonus	94	—	61	—	38	—
Total		\$243	\$205	\$182	\$157	\$139	\$110
500-1,000	Salary	\$173	\$245	\$145	\$189	\$118	\$134
	Bonus	114	—	75	—	49	—
Total		\$287	\$245	\$220	\$189	\$167	\$134
1,000-2,000	Salary	\$202	\$296	\$170	\$228	\$140	\$161
	Bonus	136	—	96	—	62	—
Total		\$338	\$296	\$266	\$228	\$202	\$161
2,000-5,000	Salary	\$247	N.A.	\$211	\$289	\$168	N.A.
	Bonus	171	—	124	—	80	—
Total		\$418		\$335	\$289	\$248	
5,000-10,000	Salary	\$309	N.A.	\$256	\$354	\$213	N.A.
	Bonus	237	—	159	—	106	—
Total		\$546		\$415	\$354	\$319	

*High paying industries include cosmetics, pharmaceutical and toiletries.

**Low paying industries include metal cans and meat products.

Executive Pay *continued*

aries of all 500 add up to \$8.25 million a year, and that the company decides to hike this executive payroll 5.5 per cent—or \$453,750. It won't get any static from the Pay Board. The overall increase is within any guideline.

Now, how it splits up that total is up to the company. For example, it can give the top 50 executives a 10 per cent pay boost—if it holds the average increase for others to about 4.5 per cent.

Those increases would come to only \$453,750.

Or, the company can split up the kitty differently.

In addition, the regulations permit individual increases of more than 9 per cent, depending on the methods used to calculate the increases.

For example, a unit which had a formal merit increase plan in effect before Nov. 14, 1971, can grant aggregate raises of 7 per cent according to Pay Board rulings. However, a "double snapshot" method is used to calculate these increases. This allows you to make an adjustment for turnover, among other things.

Thus, if a few higher paid employees leave the unit during the year, and are replaced by employees who earn less, it's possible to increase salaries in the unit 10 to 14 per cent.

Where the shoe pinches

While the Pay Board has been flexible on salaries, it has, in effect, eliminated incentive pay plans for managers in many companies.

Here, Board guidelines are rigid. They indicate that bonus payments of any kind cannot be 5.5 per cent more than the highest aggregate award paid in any one of the three years ending before Nov. 14, 1971.

Such thinking treats all bonus plans as if they were profit-sharing plans. This, in effect, is what some members of the Pay Board apparently believe.

But the Board is way off base. Two thirds of all management bonus plans adopted in the last five years have been incentive pay plans. This means the amounts paid are based on the achievement of preset business and individual goals.

The Pay Board limitations, based

Salaries of Level #2 Executives:

Table #2

Division Managers & Functional Managers

DIVISION MANAGERS Size of division (by sales volume in millions)	Salaries (in thousands)		
	High*	Medium**	Low***
\$1 to 5	\$35	\$32	\$29
5 to 15	47	41	37
15 to 25	58	48	42
25 to 35	65	52	45
35 to 50	70	58	47
50 to 75	77	63	52
75 to 125	88	71	57
125 to 250	104	83	63
250 to 500	124	99	73
500 to 1,000	148	118	83

Level #2 includes managers reporting to office of the chief executive. It does not include such men as executive vice presidents or others who are actually part of the chief executive's office.

*Division managers who are truly independent operators, frequently with as much freedom of action as company presidents. Usually, they have no corporate staff support in marketing, finance, manufacturing or engineering. Instead, they manage each of these functions in their division.

**Division managers who have neither complete freedom of operation, nor are subject to close and continuing scrutiny by corporate management. Their autonomy is greater than managers in the "low" category.

***Division managers whose operations are subject to careful review and assistance from corporate staff department heads or corporate management committees. For example, advertising would be handled at the corporate level, even though each division manager might have a manager responsible for advertising; or the division might not have either a manufacturing or marketing operation of its own.

FUNCTIONAL POSITIONS

Size of company (by sales volume in millions)	Salaries (in thousands)			
	Marketing	Finance	Mfg.	Research
\$1 to 5	\$26	\$24	\$22	\$21
5 to 15	32	29	27	24
15 to 25	37	35	32	28
25 to 35	39	38	34	31
35 to 50	42	41	36	33
50 to 75	45	45	39	36
75 to 125	50	50	44	40
125 to 250	58	59	49	46
250 to 500	67	68	58	56
500 to 1,000	77	78	67	62
1,000 to 2,000	89	90	77	72

Executive Pay *continued*

on prior bonuses, pose serious business and economic problems.

And they are inequitable. They do not affect bonuses to many nonmanagement employees based on sales or productivity.

To the business manager, whether he heads a major corporation or is an industrial engineer in a local plant, this inequity is becoming a major source of discontent.

The discontented are a key group. To a large degree, they hold the country's economic future in their hands. For they make the decisions and take the actions which make their businesses move—or creep—and which affect the overall economy in the same way.

Companies with management incentive compensation plans must ensure that they fall within the Pay Board guidelines, or ignore commitments they have made to many hundreds of executives. Where incentive plans must be rescinded, or where the company cannot assure key managers that bonuses earned will be paid, the financial incentive to perform effectively will be destroyed.

Why has the Pay Board taken this position on incentive compensation? There seem to be two reasons.

First, the Board does not know how to write regulations for management bonus plans which could effectively prevent excessive bonuses because of windfall profits, higher volume or accounting manipulation. This, indeed, is a tricky problem.

Second, the Board may not want to handle the political problem which could result from its appearing to sanction large, highly visible bonuses to top executives whether the bonuses are deserved or not.

The impact of incentive plans

The political problem may involve top executives. But the economic and business problems are with the thousands of managers below the top level—down to those who run the offices, laboratories and factories.

Perhaps the top level leader will work just as effectively with or without a bonus. But the lack of opportunity to make a \$2,000 or \$3,000 bonus for outstanding work can have an important impact on the middle or lower level manager.

Total Compensation of Chief Executive Officers

(Compensation in thousands)

Table #3

Salary	Bonus	Annual long-term income (Such as stock options and long-term bonus plans)	Total annual income
\$250	\$165	\$200	\$615
200	120	145	465
150	85	100	335
100	50	60	210
75	35	40	150
50	20	25	95
40	15	15	70

The size of bonus and long-term payments relative to salary clearly changes as the chief executive officer's position increases in size. The larger the size the greater the percentage of incentive awards becomes to total annual income.

Incentive pay plans do improve business performance.

Sibson & Co., Inc., recently surveyed a number of firms that have had such plans long enough to assess their value.

Ninety-six per cent reported tangible evidence that their plans contributed significantly to better company results.

Current salary levels of chief executive officers are shown in Table 1. These annual salaries will help you judge whether your top people are overpaid or underpaid.

Remember, these figures are averages, based on a very large number of firms.

Any company, however, whose top man is paid 20 per cent more or 20 per cent less than the figures shown in this chart should re-examine its management pay structure.

Company size continues to be the single most important factor affecting the pay of top management. This is the reality of the management labor market. It suggests that the bigger the company the more important the job.

Unfortunately, sometimes this causes management to strive for bigness for the sake of bigness—as contrasted, for instance, with greater

profitability, higher dividends, developing and marketing of better products or providing better work opportunities and environments for employees.

Many leading companies are rethinking this goal of bigness and adopting a more entrepreneurial view of top management pay. In such instances, salaries are reviewed with respect to how effectively the executives perform rather than the size of the arena in which the performance takes place.

In addition to the excitement of pay stabilization regulations, 1972 saw the emergence of a number of new management compensation practices.

Exotic devices

Some were necessary and logical, such as the buying out of options and the use of long-term bonus plans to replace qualified options. Other more exotic devices, however, such as discount options, are designed to reward managers even though business performance might be marginal.

All are perfectly legal. But government policy-makers are likely to take a dim view of these exotic devices and to keep them in mind when drafting the provisions of the Tax

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Aronowitt International Wine Cellars
Atlanta Chamber of Commerce
Asthairns Brugger
Basic Four
Beckwith Machinery Company
Bell, W., & Company
Blue Cross/Blue Shield
BOAC Airlines
Boston Diving
Boston Edison
Boston Globe
Boston Safe Deposit & Trust Company
Bodd Company
Botcher & Sheerard
Capital National Bank
Carson Inn/Nordic Hills
Central National Bank
Chatham Center
Crucker Bank
Desert Island
Detroit Bank & Trust Company
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Duquesne Light Company
Emersons, Ltd.
Epicure Products
Eureka Federal Savings
Executive Auto Leasing
Ferris Company
Fidelity Bank
Fields, Grant & Company
First Nation Securities, Inc.
First National Bank of Boston
First National Bank in St. Louis
First Pennsylvania Bank & Trust Company
Florida, State of
General Electric Television
Heublein Club
I. C. Industries
Information Handling Service
Insurance Company of North America
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The Manor
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Winchester Corp./Wildwood Highlands
Wyborosa Volka

Test Your Executive Skills

Business today poses continuous, major demands on the executive. He's under pressure to innovate, to solve old problems in new ways, to "deliver the goods."

It isn't easy to meet these demands.

The road to excellence is not for leisurely pedestrians. Increased competition and a world in transition forces the would-be achiever to seek to improve his skills.

Over the years, I have developed a three-category breakdown of the executive's job. These categories show how the manager interested in self-improvement can zero in on his day-to-day work areas.

And that is what this article proposes to do:

- Suggest ways to sharpen your executive skills.
- Offer a simple test to assess your performance.

Here is my three-way division of an executive's job:

1. Organization-dictated activities: Things the executive must do because of his relationship to the overall organization.
2. Job-dictated activities: Areas of interest that stem from the executive's immediate responsibilities.
3. Self-dictated activities: Things the executive does that reflect his own personal and professional interests.

A practical way to improve in your job is to explore these three basic areas and spot both the weak and strong points of your performance.

You can find a measure of appraisal in these self-rating quizzes. While they are obviously very rough measures of capability, you may want to work out numerical scores. To do so, give yourself 10 points for each Yes, five points for Partially, zero for No. Then rate yourself on the scale that follows each quiz.

Organization-dictated activities

As an executive, you have relationships to higher management and also contacts laterally with your peers. How well you manage your relationships with other people in the organization is a key indication of overall job success.

Do you know these facts about your superior: His title, his boss, his second in command, his key subordinates?

YES NO PARTIALLY
☐ ☐ ☐

AUREN URIS, author of this article, has long been associated with The Research Institute of America, Inc., and has written extensively about management and executive development.



Know yourself



View future as challenge

Do you know whether your boss prefers communication by phone or face to face if either may be equally appropriate in a given situation?

YES NO PARTIALLY
☐ ☐ ☐

Let's assume your boss has to make a choice between having an assignment from you done on time or having it done to the full measure of perfection. Do you know whether he would be more inclined to say: "Meet the schedule regardless" or "Take as much time as you need to do it to the highest possible standard"?

☐ ☐ ☐

In general, would you say that your relations with staff departments, personnel, treasurer's office and so on are satisfactory?

☐ ☐ ☐



Sharpen your skills

How

These job-dictated activities will include such things as planning, making operational decisions, conferring with subordinates, issuing instructions and developing your people.

	YES	NO	PARTIALLY
Would you say you are one of the more highly regarded executives in your company—that is, in the judgment of your peers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Think back to the last two or three times you wanted to bring fellow executives around to your point of view. Generally were you successful in your attempts to persuade them?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
From time to time, do fellow executives come to you for help with their problems?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does your superior from time to time come to you for your opinions in order to help in his own decision-making?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you feel that in management conferences you are a successful contributor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you feel you generally get what you want out of company meetings—that is, that you achieve the information-gathering or "selling" of your own ideas that you planned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

RATING SCALE:

- 90-100 You're extremely effective as an "organization man."
- 75-85 You're fairly effective. Some attention to weak areas should pay off handsomely.
- Below 75 You can do a lot better. Go back over the questions answered No. Use the areas touched on as targets for self-improvement.

Job-dictated activities

Your basic responsibility may be for the operation of a department or a division, or for a function in the company. For example, sales, or finance.

As a result, you must lead a group of subordinates in such a way as to accomplish the objectives that go with your job.

	YES	NO	PARTIALLY
Your use of office space now is the result of planning done no later than a year ago.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
You consider yourself an excellent decision-maker.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
You act on the principle that what's to be done tomorrow must be planned today—or last week.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In planning or in communicating these plans to your people, you use charts, graphs and other visual tools as much as possible.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
You use one or more of the following tools fairly frequently: Adding or calculating machine; camera, either still or movie; dictating machine or tape recorder.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
You do well as a motivator of your people.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Generally, you end up the day with a well-filled wastebasket.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
You feel you're in that small minority of executives who handle their paper work effectively.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
You feel you're a master communicator in the sense that you make wise choices of media. That is, you use a memo or letter when that's most appropriate or choose the telephone or talk face to face when the situation calls for it.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your working relationship with your staff is friendly and productive.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

RATING SCALE:

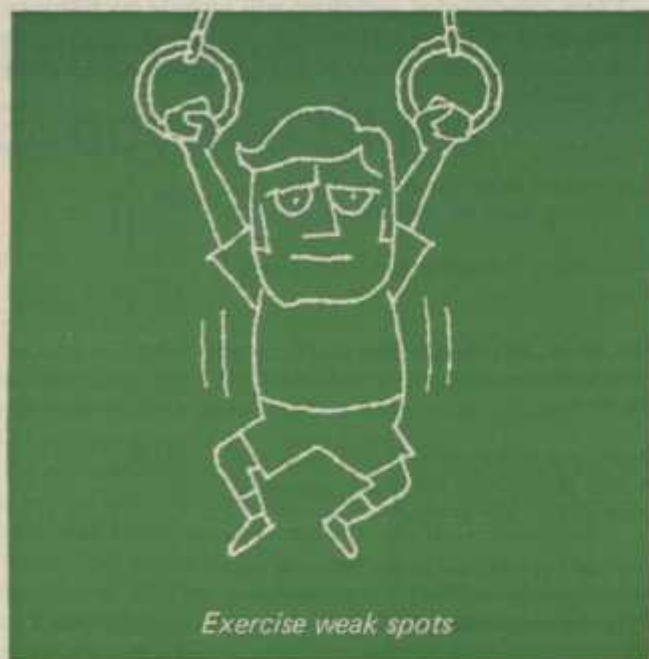
- 90-100 You're well on top of your job.
- 75-85 The slight slips that are showing, when taken care of, will make you outstanding.
- Below 75 For one reason or another your job performance is below your potential. Again, use the questions answered No to pinpoint specific areas that would benefit from your attention.

Self-dictated activities

Here your performance is a reflection of such things as your ability to concentrate, remember, write, work under pressure or maintain a satisfactory work pace.

	YES	NO	PARTIALLY
As far as your career goes, you're very progress-minded. You constantly seek ways and means of becoming a better executive. (continued on page 76)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Test Your Executive Skills *continued*



You're a conserver rather than a waster of time.

YES ☐ NO ☐ PARTIALLY ☐

You pace your activities wisely. Proof: You're seldom drained at the end of a working day.

☐ ☐ ☐

When you're faced by a particularly difficult assignment, you make it a point to create the conditions favoring concentration. For example, you seek isolation or quiet.

☐ ☐ ☐

Your memory may not be good enough to get you on stage with a memory act, but as far as executive requirements are concerned, you rate high.

☐ ☐ ☐

Regardless of how good or poor your unassisted memory is, you make it your business to help remember the things you must by using such memory assists as tickler files, desk calendars or pocket memo books.

☐ ☐ ☐

You enjoy working under pressure.

☐ ☐ ☐

You ease the time pressures in your job by self-scheduling that tends to level off the peaks and fill in the slow periods.

☐ ☐ ☐

You succeed in keeping your mind free of off-the-job worries by trying to check your nonjob concerns at the office door.

☐ ☐ ☐

Knowing the importance of rest and relaxation for job performance, you make good use of vacation and recreation time.

☐ ☐ ☐

RATING SCALE:

90-100 Your career and personal performance goals are fully within your reach.

75-85 A slight amount of improvement is necessary for you to develop your career fully.

Below 75 Renewed efforts and substantial self-improvement activities should be planned and carried out for you to develop latent capabilities.

How to use your score

The scores you've achieved can help you both assess your present performance and suggest a way for professional improvement.

Many executives may conclude that areas in which they scored high need little attention. The exact opposite may be true. What you've been doing well may prove to be where you can improve most.

For one thing, you're at an advantage working in your high-scoring areas. You'll be operating in regions where you've already achieved a measure of success and have superior proficiency. This may mean that with a slight additional effort you can be really outstanding, solidifying an already favorable position even more firmly.

Areas in which you scored medium may actually be most threatening. You may be hamstrung by the tendency to let well enough alone. And neglect may swing the scale the wrong way. Today's "fair" performance, unimproved, may nose-dive and become tomorrow's sore spot.

However, the fact that you know which skills are on the fence is in your favor. Now you can give them the extra attention that will push them over on the favorable side.

Weak spots where you scored low may represent your toughest going. Face the facts frankly. These may be areas in which you have the least natural proficiency. Here you may have to work hardest to improve.

On the other hand, a low score may reveal an area that is undeveloped simply because you never have worked at it sufficiently. In that case, improvement here may be highly desirable in terms of personal growth and future advancement.

Improving in your job requires a willingness to make the effort that personal growth requires. This usually implies a view of the future in which the challenges that confront you appear as an opportunity rather than a threat.

Finally, career advancement should be viewed as a personal and specific goal. What is needed or will work for one executive may not for another.

The executive who assesses himself, and then makes the moves that will equip him for tomorrow's responsibilities, is the one who will win the rewards that go to the high achievers.

END

REPRINTS of "Test Your Executive Skills" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

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This Month's Guest Economist

Edwin A. Young
Economist
The Firestone Tire & Rubber Co.

Legislating Job Losses

While critics of multinational corporations claim that these firms' foreign operations "export" jobs, they often fail to look at the benefits to U.S. employment which actually result. A case in point is the U.S. tire industry.

Exports of materials and equipment by major American tire company multinationals to their subsidiaries, affiliates and associates overseas totaled about \$180 million in 1971 and ran close to \$300 million if tire exports are included.

Imports, by comparison, amounted to only about \$70 million, and the tire portion of the total represented less than 2 per cent of the value of products manufactured in the multinationals' plants abroad last year.

The subject of tire imports can be examined in another way. Of the 153 million passenger and truck tires made for the U.S. replacement market in 1971, less than 1 per cent came from the foreign plants of U.S. manufacturers.

Foreign manufacturers contributed an additional 5 per cent, but most of these were steel radial tires, or special sizes for foreign-made cars. And within a year or two, domestic manufacturers will be geared up for more of this business. Over future years, imports from foreign companies can be expected to decline as a percentage of the total.

Thus tire imports—both from U.S.-owned and from foreign manufacturers' plants—are quite small. The number of U.S. jobs they affect is, therefore, inconsequential.

Nevertheless, it is being proposed by some that instead of the U.S. firms investing capital in plants abroad to reach foreign markets, they should spend these funds on plants here, with the aim of increasing domestic jobs and tire exports.

Attractive as this sounds, politics and economics get in the way of its being practicable.

Special inducements frequently are offered abroad, particularly in the developing countries, to have plants built there. These countries want manufacturing, not imports. The inducements range from the almost complete exclusion of competition to tariff walls, tax advantages and import quotas—all on top of lower wages and less costly transportation to markets.

U.S.-made tires cannot compete against such odds, and if factories are not established American companies would be compelled to give up on these markets.

There is no choice, in most of the world. Tires exported from the U.S. are generally limited to large sizes or special sizes, or go to countries which do not yet have manufacturing facilities.

If U.S. tire companies are to participate in the large and fast-growing foreign markets, they must build plants in these areas. By-product dividends will accrue to the U.S. balance of payments and to the economy, as well as to U.S. labor.

While there is little likelihood of many jobs being generated through U.S. tire exports to foreign markets, it is a surety that a substantial number of U.S. jobs will be lost if the Foreign Trade and Investment Act of 1972, more commonly known as the Burke-Hartke bill, is passed.

This bill, grounded in the belief that multinational operations are harmful to American labor and business, was conceived as the most effective way to discourage American business investment abroad and to limit the flow of imports into the United States.

It proposes to:

- Levy U.S. income taxes on foreign

earnings immediately, whether distributed or not.

- Repeal the foreign tax credit, resulting in double taxation.
- Permit only straight line depreciation on foreign properties, in spite of the higher risk.
- Impose a tax on technology transfers, even though to a wholly owned foreign corporation.

Examination of the probable effect of such legislation on the U.S. tire industry is sobering. If it had been in effect over the 1968-71 period, the additional taxes levied on the five major American manufacturers would have caused a 20 per cent reduction in net income.

Exclusion from the future growth of world markets due to inability to compete would yield a bleak outlook for the U.S. tire industry and for its employees.

Earlier this year, a study by the Akron, Ohio, Chamber of Commerce estimated a direct loss of 6,500 jobs in the Akron area if multinationals were forced to withdraw from foreign operations. Eventually, another 6,500 service-related jobs also would be lost, it was predicted.

The impact of the loss of the first 6,500 jobs would be great, since this would amount to over 10 per cent of the work force in local rubber and allied industries. The ultimate predicted loss of a total of 13,000 jobs would, of course, be considerably greater.

It would affect more than 50,000 men, women and children in the 700,000-population Akron area, the study indicated.

If proponents of trade-restrictive legislation would consider these points, and all sides of the question, I believe they would ask themselves:

Can we really afford this legislation?



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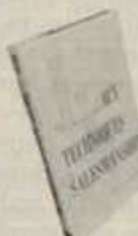
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Businessmen Can Become Alienated, Too

Many executives say their political thinking has been changed by events of the past decade; some complain that it's not they who have changed, but their parties

Events of the past decade had a substantial impact on political outlook in the business community, a NATION'S BUSINESS survey of top executives shows.

Slightly over half of those responding report that their political philosophies have changed or that they no longer are at ease in either major party.

The others say there has been no change in their outlook, but even many of them indicate dissatisfaction with the ways things are going.

A cross section of business leaders was asked: "Has your political philosophy changed in the last 10 years?"

The question was prompted by the impact on business of such developments as soaring deficit spending, inflation, environmental and consumer legislation, growing welfare rolls, increased crime, labor influence on economic trends, a generally more activist role by government, and events on the international scene.

Of those reporting change in their sentiments, 60 per cent list themselves as more conservative and 30 per cent as less conservative. The rest say they are unhappy with what they see as leftward moves by the political parties to which they have long pledged loyalty.

There is a strong showing from executives who say they recognize the need for business to become more active in coping with environmental and social difficulties. But the overwhelming consensus among them is that the experience and know-how of private enterprise, not an expanded federal bureaucracy, offer the best hope of meeting the challenge.

J. Dayton Ford, president, Allied Van Lines, Inc., Broadview, Ill., writes:

"While I am still a philosophical conservative, I have become more aware of the responsibility of busi-

ness to help resolve social problems. I am convinced that these best—and perhaps only—can be solved by applying the techniques and expertise of American business to them."

Says Stuart Davis, board chairman, Great Western Financial Co., Beverly Hills, Calif.:

"My political philosophy remains the same. I continue to believe that this country, if it is to offer the maximum opportunity to all its citizens, must assert more effort to reduce spending at all levels of government and, particularly, must bring the national budget into balance on a permanent basis.

"In the long run, tax monies cannot create the types of jobs that offer maximum opportunities for our people. This can only be accomplished by investments of private enterprise."

Henry C. Coleman, board chairman, Commercial Bank at Daytona, Daytona Beach, Fla., is among those who report their own political views have not changed, but who feel their parties' have.

"I have been a registered Democrat for over 45 years," he says, "but I am about ready to change parties. I think the so-called Democratic Party is now really the socialist party."

Alex H. Halff, president, Alamo Title Co., San Antonio, Texas, reports having a similar difficulty: "It is harder to find a political party I agree with," he says, "so something is changing."

The G.O.P. fares no better with W.T. Piper Jr., board chairman, Piper Aircraft Corp., Lock Haven, Pa. "My political philosophy has not changed," he writes, "but I am becoming very disheartened at the so-called conservative Republican attitude in Washington. It seems to me that the philosophy at the top has been altered materially."

Warren Gast, vice president and general manager, Gast Mfg. Corp., Benton Harbor, Mich., says his outlook has changed only to the extent that "I'm more anti big government and anti government control."

The trend of government in the past 10 years, writes E.C. Bauer, president, Ozee Terminals, Inc., Mattoon, Ill., "has only proven what we should have always known—that trying to cure social ills with massive injections of governmental money without instilling pride of accomplishment or a feeling of social responsibility among its recipients is folly."

Among the many other replies:

Edward Gross, president, Gross Galesburg Co., clothing manufacturer, Galesburg, Ill.: "Yes, I've grown more conservative. Too much government either with the Republicans or the Democrats."

P.H. Glatfelter, president and chairman of P.H. Glatfelter Co., a Spring Grove, Pa., papermaking company: "Maybe I'm not quite as conservative as I used to be."

Robert S. Oelman, chairman, The National Cash Register Co., Dayton, Ohio: "My basic philosophy in support of free enterprise and the profit-making motive for business remains unchanged."

C.S. Jones, general manager, Flack-Jones Lumber Co., Summerville, S.C.: "The work ethic and free enterprise system are still dominant in my thinking. But I have become more aware of pollution and the need to remedy it."

Frederick J. Orth, board chairman, Unigard Mutual Insurance Co., Seattle, Wash.: "I continue to be a strong supporter of our federalistic republic and our free enterprise system; but on greater regulation by the government of our economy—such as the wage-price freeze, greater control of pollution, etc.—I have

changed philosophy, believing now that some governmental intervention is essential."

A.W. Clausen, president, Bank of America, San Francisco, Calif.: "As a businessman, my basic political philosophy has not changed in the last 10 years. Certainly changing circumstances and new problems require new solutions, but this does not imply philosophic changes."

N.G. McLean, president, Dunn Paper Co., Port Huron, Mich.: "No [personal change in political philosophy] but the nation's philosophy has shifted to my left considerably. I favor social programs if they can be conducted by a fiscally responsible government under financially controlled conditions which inhibit waste."

Orin E. Atkins, chairman and chief executive officer, Ashland Oil, Inc., Ashland, Ky.: "My basic philosophy remains the same but I have been forced to recognize that governmental policies will have a material effect on profitability."

Keith R. Potter, executive vice president, International Harvester Co., Chicago, Ill.: "I think it would be fair to say that most businessmen have become more conscious of the effects of their actions on the total community."

"Basically, however, I still believe in fair trade, a minimum of government intervention in our affairs, sound money and the right of every individual to pursue his search for a meaningful existence with a minimum of regulation."

Walter S. Holmes Jr., president, C.I.T. Financial Corp., New York City: "The ongoing threat of inflation, the continued growth of the bargaining strength of labor and the prevalence of administered pricing have forced me to abandon to some degree the laissez-faire philosophy to which I once adhered strongly."

"I find myself in favor of the wage-and-price control program. I feel it should be administered more vigorously and continue until excessive inflation expectations have largely disappeared. A continued federal intervention into economic affairs appears unavoidable in view of the weakening of classic market forces."

W.G. Curott, vice president for

finance, Fasco Industries, Inc., Rochester, N.Y.: "My philosophy has become more liberal with increased appreciation of the need for business, organized labor and government to cooperate in concert to solve economic and environmental ills."

R.C. McPherson, president, Dana Corp., Toledo, Ohio: "[No change] ... to any significant degree on domestic affairs but, having grown more aware of the vital role the United States must play in world economies, I've become more global in my thinking."

J. Henry Smith, president, The Equitable Life Assurance Society of the United States, New York City: "The social responsibilities of business, and the problems of 'poverty amidst plenty' and of the environment, are clearer to me. Nevertheless, there has been no lessening of my faith in private enterprise and individual responsibility as major factors in moving the country forward."

Russell H. Perry, chairman and chief executive officer, Republic Financial Services, Dallas, Texas: "[I am] more convinced now than 10 years ago that we must reestablish some firm principles—financial stability at all levels of government, and respect for each other, for property and for the rights of the majority as well as the minority—and must increase productivity."

Daniel C. Beisel, publisher, Green Bay Newspaper Co., Green Bay, Wisc.: "I am more convinced than ever that we have too much government on all levels—federal, state and local."

R.B. Hardy, president, Russell Harrington Cutlery Co., Southbridge, Mass.: "I was more liberal but believe government social programs have run out of control. We need more conservative thinking in government bureaus and perhaps some new emphasis on saving taxpayers' money."

Irving Seaman Jr., chief executive officer and chairman of the executive committee, National Boulevard Bank of Chicago, Chicago, Ill.: "My philosophy has changed over the years to accept many of the types of social legislation that have been voted or are in the discussion stages." END

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BUSINESS

A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

Export supplies of edible oils will exceed import demand world-wide this year and most likely again in 1973, agriculture experts predict.

Above average prices of vegetable oils in the 1969-1971 period have prompted a global increase in production, primarily in palm oil and coconut oil, soybeans, peanuts and sunflower seeds.

Assistant Secretary of Agriculture Carroll G. Brunthaver says producers in other countries should be encouraged "to gear their production to real markets" because their investment will be lost and their development hopes deflated if they don't.

"The palm, since it is strictly an oil crop, is going to be up against increasing competition from those oils that are by-products

of the burgeoning protein industry all over the world," he recently told the National Soybean Processors Association.

In the last fiscal year the U.S. exported 876 million pounds of soybean oil, up from 736 million pounds in the previous year, and Mr. Brunthaver predicts further increases in years to come.

With surplus problems being projected for certain countries, proposals for an international agreement on trading in edible oils made earlier are surfacing again.

The United States, says Mr. Brunthaver, is against "any international oils agreement. . . . Our view is that soybeans are a growth industry, and we do not favor any agreement that would force the trade in soybeans—meal or oil—into some predetermined pattern."

CONSTRUCTION

Those fluctuations in the pace of homebuilding, long a feature of the economy, may not be so wild in the future.

Analysts at the Pittsburgh National Bank, though noting that multiple forces which kicked off the current building boom are waning a bit, say a number of factors will smooth out home construction's peaks and valleys.

They cite further federal involvement in low cost housing, more purchases of second homes, the trend toward home buying by

single persons, and a growing fondness for investment in residential property.

Many investors are coming to view real property as a more effective hedge against inflation than securities, they say.

Meanwhile, a new "norm" for home construction seems on the verge of adoption by economists and statisticians. In the future it's likely that it will be two million units annually, up from the 1.4 million figure used in the past.

FOREIGN TRADE

While trading with Red China is not predicted to be easy, at least not just yet, U.S. businessmen may find that the best way to gain a foothold on the mainland is to take the direct approach.

After more than a year of fruitless attempts to contact Chinese officials through third country embassies and other routes, the Boeing Co. sent a letter to Peking's China National Machinery Import and Export Corp.

Within a few weeks the Seattle planemaker received an invitation to send representatives to China.

After five months of "rigorous negotiations," Red Chinese officials signed a contract to purchase 10 jetliners for \$125 million. The first is to be delivered late next summer, the last in the spring of 1974.

Refreshingly, Red China will pay cash, in U.S. dollars.

LABOR

The Collyer principle, much to organized labor's chagrin, looks more and more like a permanent part of labor law.

Slightly over a year ago, in the Collyer Insulated Wire case, the National Labor Relations Board ruled in effect that if grievance and arbitration machinery was provided in a contract, labor and management would have to use it. Formerly, NLRB heard disputes in which such machinery had not been used.

NLRB Chairman Edward B. Miller recently commented: "Perhaps I am being over simplistic, but I fail to understand why there is anything so terribly earthshaking about telling parties to use their own voluntary machinery for the settlement of their disputes."

Although it's still to be tested in the courts—possibly up to the Supreme Court—the Collyer principle now is being applied generally, with few exceptions.

MANUFACTURING

A biodegradable chemical agent that promises to cut the frictional resistance or drag of water by half is expected to be a boon to many industries.

Developed at Cornell University, it's a chemical substance produced by a newly found bacterium that grows on wood alcohol. In large concentrations, the yet unnamed agent—a polysaccharide similar to starch and pectin—acts as a thickener.

But Robert K. Finn, a Cornell professor of chemical engineering, says that in concentra-

tions of 2,000 parts per million it acts as a lubricant to water and is potentially cheaper than other agents now employed for that purpose.

One obvious use is in fire fighting, since reduced friction on the walls of pipes and hoses will enable higher flow rates. But industries using large amounts of water and pumping facilities—such as the paper industry—could also benefit. Another use envisioned is to aid in flushing residual crude oil from the nation's oil fields.

NATURAL RESOURCES

Doomsday predictions of rapidly dwindling lumber resources have been dealt a body blow through creation of "supertrees."

The U.S. Forest Service, after a 15-year research effort, has developed a "genetically superior" cottonwood that should grow as much as 12 feet in height each year—20 per cent faster than ordinary cottonwoods.

The new strain started with cuttings taken from selected superior trees.

Using another technique, Boise Southern

Co. forestry experts have developed a "superpine," which is predicted to grow as much in 10 years as a run-of-the-mill pine does in 17.

To create the "superpine," foresters select mother trees that have genetic superiority in each of 11 characteristics such as straightness and wood density.

About one in a million trees gets the high marks specified to qualify it as "super." Twigs from the tree are grafted to ordinary pine nursery stock.

MARKETING

Arbitration of disputes with customers may be part of the answer to the home remodeling industry's quest for a better way to do business.

The National Home Improvement Council, Inc., which recommends such action, says the ethical contractor has nothing to fear from having an arbitration clause in his contracts.

The concept is simple. If the contractor and customer have an unresolved dispute, it goes to a third party for a binding decision.

"Unreasonable homeowner demands are readily recognized and dismissed by the arbitrator," says NHIC.

Arbitration, of course, also can work the other way—against the unreasonable contractor.

NHIC has brought the concept to the attention of Federal Housing Administration officials, suggesting FHA require compulsory arbitration clauses in all contracts for remodeling financed by Title I insured loans—several hundred million dollars annually.

TRANSPORTATION

Although there are regulatory uncertainties and almost certain increasing labor costs ahead, a continued recovery is forecast for the trucking industry through 1973.

The research department of Paine, Webber, Jackson & Curtis, Incorporated, noting record motor carrier earnings for 1971, computes an increase of about 18 per cent this year and a further 15 per cent gain in 1973 for the industry.

Analysts conclude that in 1971, for the

first time, net earnings of all Class I and II regulated motor carriers exceeded those of all Class I railroads by a whopping 34 per cent. Previously, 1968 was the regulated truckers' best earnings year, but they topped it by 65 per cent in 1971.

Unquestionably, the trucking industry constitutes the largest factor in U.S. transportation, the analysts note—\$77 billion total revenues estimated for 1971, of which \$16 billion went to regulated intercity carriers.

Editorial **You're the Boss**

By your votes, you are hiring a lot of people to work for you—a President and Vice President, a Congressman, maybe a Senator or Governor and many other local and state officials.

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An Assist for Cupid

Once, there was a scarcity of jobs on the island of Eleuthera; now, some wedding plans are reviving as U.S. developers—and Eleutherans—go to work



This imaginative Bahamian, using free paint and her fingers on the trim of her house, won a prize in a home improvement contest as islanders spruced up for new residents coming to Cape Eleuthera.

On the fishhook-shaped island of Eleuthera in the Bahamas, an unfinished house standing forlornly in deep underbrush often means "another broken heart."

"It's the custom on the island that when a couple becomes engaged the young man starts building a house," explains Charles Colebrooke, a young Bahamian. "Sometimes, the girl she later changes her mind. And sometimes it's not the heart that is broken, but the pocketbook that is empty."

There are fewer empty pocketbooks these days on Eleuthera because of a construction boom. Land developers are giving Cupid an assist financially.

A few months ago, Mr. Colebrooke was a laborer. Now he's a sales trainee for GAC Eleuthera Ltd., a joint venture of U.S. and Bahamian financial interests. His is typical of the rising economic lot of the 85 per cent black majority.

"Did you know that Sidney Poitier is a Bahamian?" Mr. Colebrooke asks. Singer Harry Belafonte, he adds, is of Bahamian descent.

According to the Right Hon. Preston H. Albury, M.P., who represents the southern half of Eleuthera in the Bahamian House of Commons in

Nassau, a large number of U.S. black families trace their ancestry back to the islands, where slaves were emancipated in 1834.

(The Bahamas, now a self-governing British colony, are expected to become a fully independent Commonwealth nation next summer.)

The lackluster performance of the Bahamian economy in past years has stimulated emigration.

On 110-mile-long, three-mile-wide Eleuthera, progress has been at a conch pace—which is something like a quarter of a mile a day.

The mollusks that inhabit the fluted shells once prized for cameos are a basic staple of the Eleutheran diet. They plod into shallow waters in an endless stream from Great Exuma Sound in the heart of the Bahamas' 700 islands, all of which are a short jet hop from Florida.

Going after the affluent

One of the prize conching grounds is a wide sweep of white sand at Eleuthera's Cape Powell. On a 5,800-acre tract fronting on the beach, says S. Hayward Wills, the lanky chairman and president of GAC Corp., his Miami-based firm and End O'Bay Ltd. of the Bahamas, headed by retired Pan American World Airways

Board Chairman Juan Trippe, are "building our showplace."

Their GAC Eleuthera Ltd., with some 10,000 potential half-acre homesites ranging in price from \$11,000 to \$50,000, is aiming for the affluent in the U.S., Canada and Europe. It's also introducing comparative affluence into the local economy.

"Before, there were no jobs for our young people and they had to leave," says an Eleutheran official. "Now many will stay and many will return."

There are some 7,000 friendly inhabitants on the island.

Mr. Albury talks of 15,000 jobs in 20 years; Mr. Wills thinks that's too optimistic. But both agree on the prospects for Cape Eleuthera, the name selected for the development.

"It will be the third largest city in the Bahamas in 20 years," predicts Mr. Albury.

The bulk of the jobs will go to Eleutherans, including returnees. "If you aren't from this island you are a foreigner," says Mr. Albury with a smile.

For anyone else to be put on a payroll he must have a work permit, and Mr. Albury controls issuance of the permits.

Of the 150 employees of GAC

Eleuthera Ltd. now, over 140 are Eleutherans.

Mr. Albury is delighted with the developers. "I would like to see them stay forever," he says, pointing out that they are proving to be good neighbors.

Cape Eleuthera will have a modern sewage disposal system to keep the emerald green waters unpolluted. The system's design, as well as that of other construction, would meet the requirements of Miami, although Eleuthera doesn't have any similar building codes.

Also, the developers have voluntarily agreed to pay half the cost of repaving a stretch of highway and have contributed highway signs to mark villages and give them a new sense of identity and pride.

To spruce up the once-drab exteriors of islanders' homes, GAC publicists promoted a painting and clean-up drive. Sears, Roebuck and Co. provided the paint at cost to the developers and shipped it free to the island. With two gallons, each homeowner was able to make vivid use of imagination in competition for prizes donated by local and Nassau mer-

chants. One woman painted the trimming of her home with fingerprints. A man went for polka dots while another turned his walls into a giant mural of island scenes.

One exuberant painter chose a stripe motif, painting even the glass in his windows. With paint left over, a thrifty homeowner painted a cement mixer parked in his front yard just as he had his house.

In another move which has evoked local approval, the developers granted Ohio's University of Dayton \$15,000 to study ruins found on the Cape Eleuthera property.

Prof. John Bregenzler, a University of Dayton anthropologist, has artifacts tentatively dated as "pre-emancipation era."

Though there is no legal requirement for preservation of historical sites in the Bahamas, if the ruins prove of historical importance their location will remain a green area. This could mean the loss of many thousands of dollars in sales, since the ruins are in prime spots.

Meantime, work is starting anew on some of those sweethearts' homes, thanks to investors who care. END



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1. Title of publication: **NATION'S BUSINESS**.

2. Date of filing: September 29, 1972.

3. Frequency of issue: Monthly.

4. Location of known office of publication: 1615 H Street N.W., Washington, D.C. 20006.

5. Location of the headquarters or general business offices of the publishers: 1615 H Street N.W., Washington, D.C. 20006.

6. Names and addresses of publisher, editor, and managing editor: publisher: Arch N. Booth, executive vice president, Chamber of Commerce of the United States of America, Washington, D.C.; editor: Jack Wooldridge, Washington, D.C.; managing editor: Wilbur Martin, Washington, D.C.

7. Owner: The owner is: Chamber of Commerce of the United States of America, said body being an incorporated organization under the laws of the District of Columbia, its activities being governed by a Board of Directors; the officers are as follows: President: William S. Lowe, chairman of the board and chief executive officer, A. P. Green Refractories Co., Mexico, Mo. Chairman of the Board: Archie K. Davis, chairman of the board, Wachovia Bank and Trust Co., N.A., Winston-Salem, N.C. Chairman of the Executive Committee: F. Ritter Shumway, honorary chairman of the board, Sybron Corp., Rochester, N.Y. Treasurer: Edward B. Hunt, president and chief executive, State Farm Insurance Companies, Bloomington, Ill. Executive Vice President: Arch N. Booth, Chamber of Commerce of the United States, Washington, D.C. Vice Presidents: J. D. Anderson, president, Guarantee Mutual Life Co., Omaha, Neb.; Robert S. Heupre, president, Seattle-First National Bank, Seattle, Wash.; John L. Gillis, senior vice president, Monsanto Co., St. Louis, Mo.; Charles H. Smith, Jr., chairman of the board, SIFCO Industries, Inc., Cleveland, Ohio; Eugene H. Snyder, Jr., president, Southern Department Stores, Richmond, Va.; Anthony E. Wallace, president and chief executive officer, The Connecticut Light & Power Co., Hartford, Conn.

8. Known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages or other securities: None.

9. For optional completion by publishers: Not applicable.

10. For completion by nonprofit organizations authorized to mail at special rates: Not applicable.

11. Extent and nature of circulation:

	Average no. copies each issue during preceding 12 months	Actual number of copies of single issue published nearest to filing date
A. Total no. copies printed	924,539	920,228
B. Paid circulation		
1. Sales through dealers and carriers, street vendors and counter sales	883,630	885,188
2. Mail subscriptions	883,630	885,188
C. Total paid circulation		
D. Free distribution by mail, carrier or other means		
1. Samples, complimentary and other free copies	31,187	29,260
2. Copies distributed to news agents, but not sold		
E. Total distribution (Sum of C and D)	914,817	914,448
F. Office use, left-over, unaccounted, spoiled after printing	9,722	5,780
G. Total (Sum of E & F—should equal net press run shown in A)	924,539	920,228

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